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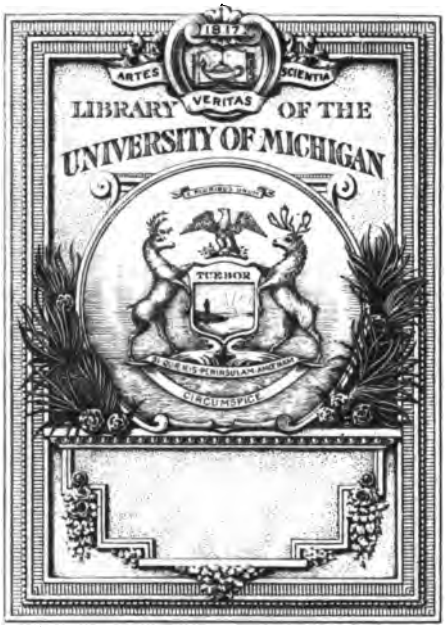
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THE NATIONALIZATION OF RAILWAYS

THE NATIONALIZATION OF RAILWAYS

BY

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AUTHOR OF

"GUIDE TO BUSINESS CUSTOMS AND PRACTICE ON THE CONTINENT"

"THE FOREIGN CORRESPONDENT" ETC.

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CONTENTS

CHAP.		PAGE
I.	THE GROWTH OF THE MOVEMENT IN THE UNITED KINGDOM	7
II.	THE RAILWAYS OF THE UNITED KINGDOM	13
III.	WASTE	24
IV.	HOW PRIVATE OWNERSHIP OPPOSES REFORMS	41
V.	THE SHAREHOLDERS' INDICTMENT OF THE RAILWAY COMPANIES	51
VI.	A RAILWAY CHAIRMAN'S INDICTMENT	74
VII.	SOME ADVANTAGES OF A STATE RAILWAY SYSTEM	84
VIII.	THE CASE AGAINST NATIONALIZATION CONSIDERED	97
IX.	HOW TO NATIONALIZE THE RAILWAYS	113

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THE NATIONALIZATION OF RAILWAYS

CHAPTER I

THE GROWTH OF THE MOVEMENT IN THE UNITED KINGDOM

For years past, railway nationalization has been in the air. Its precise place in politics in this country is indicated by the fact that, like old-age pensions, it has been the subject of discussion in debating societies for years past, but it has not yet found a place in the programme of either of the two great political parties.

One or two things have contributed to bring the question of railway nationalization into the foreground. There was the advent of the Labour and Socialist party in Parliament—which, it may be remarked, despite the vast degree of attention it has attracted, does not muster quite as many members as the number of railway directors in the House of Commons (35), not

to speak of 71 railway directors in the House of Lords. Then came the agitation on the part of the railway workers for better pay and conditions of labour. Furthermore, the efforts of certain influential sections of shareholders to enforce reform methods of working on the respective Boards, and the increase in the number of serious accidents, have also played their part in bringing the whole working and administration of the railroads before the public.

The most representative assembly of the commercial men of the United Kingdom is probably the half-yearly meeting of the Association of Chambers of Commerce of the United Kingdom. At the meeting held at the Town Hall, Liverpool, in September 1907, which was attended by 328 delegates representing 97 Chambers of Commerce, the President, Lord Brassey, in his opening speech said—

"Throughout the inquiry by the Royal Commission on Canals the railways have been under review. The managers of the leading lines have appeared before us as witnesses. They have tendered a large body of evidence. As might have been expected, railway men are not favourable to canals. They think them out of date. Meanwhile the trader complains. He compares rates on British railways with the charges in Continental countries. It is not at all times and by all persons sufficiently considered that it is impossible to carry for short distances at as low a cost per ton and per mile as where distances are long. And I venture to say that the advantages which British traders enjoy

in respect of prompt delivery are not always sufficiently appreciated. I will say this with regard to British railway administration—I will claim that it is honest and that it is able, and I will claim that there is a keen desire to serve the public. But I must also make the admission that in railway management in England competition is carried to excess; an immense amount of capital is wanted on duplicate lines not called for by the public. And the traders and the railway workers complain. These say that their wages are too low and their hours too long. Those, that the rates and charges are excessive. In particular cases there may be wrongs which call for remedy as to charges; they may be too low between competitive points. At all important centres there is competition; but rates may also be too high, and I think it is not impossible that they are too high in parts of the country where the local railway is a monopoly.

"Well, the situation is that the railways are hard pressed; it is difficult to maintain dividends, which are not excessive in amount. In and out of Parliament there is a growing demand that railways should be managed with a single eye to the service of the public, not for the benefit of the shareholders. That leads me to make this bold venture, and to suggest that we are perhaps on the eve of a change of policy. We see what is taking place in Continental Europe. In Germany, in Russia, in Belgium, and more recently in Italy, the railways have become the property of the State. I do not hear complaints on the part of the public in those foreign countries that they are ill-served, and it is certain that, so far as State revenues are concerned, the results to the several exchequers have

been satisfying. I venture, without a shadow of doubt, to say this: that if we were taking a new departure to-day there can hardly be a question as to what Parliament would do. At the same time this is obvious; it is one thing to start upon a policy *ab initio*, and another and much more difficult thing to change a policy to which we have long adhered. The capital value of railways may be taken, roughly, as twice the amount of the National Debt. It is evident that to deal equitably with interests so vast would be an operation which would heavily tax even our great financial resources. If we make a move we may perhaps begin the State ownership in Ireland. The financial operation would be limited in extent, and this is certain, that the saving from unity of management would allow a considerable reduction of rates and fares. With regard to administrative questions I see no reason to apprehend failure. The postal service, the management of our dockyards, and the work of our Civil Service generally, in India, at home, and in the Colonies, is marked by the very highest degree of efficiency; it is a service of which the nation may well be proud. I have projected a very serious matter, not for the consideration of the present meetings of the Association, but for their consideration on the lines which I have ventured to indicate will not be taken, and should not be taken, without the most full and prolonged consideration in and out of Parliament. Only one word more on this subject. I would urge, as one, and perhaps not the least, of the advantages to be looked for from the change which I have ventured to submit for your further consideration, that it will give to the State a vast field in which soldiers, having com-

pleted their term of service in the army, might find employment."

Lord Brassey, it may be mentioned, was Governor of Victoria from 1895 to 1900, when he had ample opportunities of observing the working by the State of a country's railway system, and, as appears from the first few sentences of his address, he was a member of the Commission to consider the position of the canals of the United Kingdom.

Lord Brassey is, of course, a Liberal. Now, let us hear a Conservative.

Speaking at Swansea a few days after Lord Brassey's pronouncement, Sir John Gorst, whose experience of a State system of railways in New Zealand is considerable, said—

"Nationalization—that would not be very difficult. There would be no confiscation of any kind whatever. The railways would have to be undertaken by a State Department, which would replace the existing directors. Managers and head officials by whom the railways were really conducted would become servants of the public. The operation would financially be quite easy and simple. The railways would be conducted purely for the interest of the public at large. The public would have to undertake the risk of the railways becoming depreciated by the competition of canals, motors, and, perhaps he should add, airships. He supposed that with nationalization what would happen would be that the railway skilled servants would at once get what was called trade-union rate of wages, and every employé

would get a living wage. The State would benefit more by any sum it laid out for the acquisition of the railways than it did by the great expenditure on military armaments."

And Mr. W. Watson Rutherford, M.P., in an address at Liverpool a day or two later, entitled "A Democratic Tory's Programme," appealed to all Conservatives and Liberals who believed the Socialist remedy to be illusory, to lay aside comparatively trifling quarrels and to face the situation together by introducing a number of reforms, the second of which was to be the nationalization of the railways.

Railway Nationalization is, of course, one of the main planks of the programme of the Labour Party.

It is unnecessary to give more than these few brief instances—taken from the daily papers within a fortnight—to show the increasing interest that is taken in this matter, which will undoubtedly soon be the most important question of the day.

Coming events throw their shadows before, and the debate on the resolution in favour of railway nationalization brought forward by Mr. George Hardy, the member for Stowmarket, in the House of Commons on 11th February 1908, and Mr. Lloyd-George's sympathetic attitude with regard thereto are significant.

Before dealing with the State ownership of Railways in the United Kingdom, it will be well to see what our railways are at the present time, who owns them, who manages them, and *how* they are managed.

CHAPTER II

THE RAILWAYS OF THE UNITED KINGDOM[1]

Mileage, Companies, and Capital

At the 31st December 1906 there were 23,063 miles of railway in the United Kingdom, of which only a little more than half — 12,811 miles — consisted of double track or more. These figures, of course, relate to geographical distance. The total mileage of all the railway track in the Kingdom, including sidings, was 52,904.

These 23,063 miles of line were owned by no less than 313 companies. This figure is arrived at by counting the railway companies of the United Kingdom, particulars of which are given in the 1907 issue of the *Stock Exchange Official Intelligence.*

The table on the following page gives a list of those companies or administrations controlling over 100 miles of line.

[1] While much of the data given in this chapter is based on Government publications, most of the tables and particulars have been freshly compiled for the purpose of this work.

Company.	Mileage.	Paid-up Capital including Loans and Debenture Stock.
ENGLAND AND WALES.		In millions of £ (approximately).
Cambrian	276	6.7
Cheshire Lines Committee	141	...
Furness	134	7.8
Great Central	627	49.3
Great Northern	847	61.6
Great Eastern	1134	57.6
Great Western	2879	102.6
Lancashire and Yorkshire	584	69.8
London and North-Western	1947	126.6
London and South-Western	958	54.3
London, Brighton and South Coast	454	28.6
Midland	1513	199.1
North-Eastern	1694	78.3
North Staffordshire	211	10.6
Somerset and Dorset	101	2.4
South-Eastern and Chatham	629	62.6
Taff Vale	124	9.4
SCOTLAND.		
Caledonian	1098	73.0
Glasgow and South-Western	467	24.8
Great North of Scotland	336	7.6
Highland	509	7.1
North British	1320	67.9
IRELAND.		
Dublin and South-Eastern	162	3.5
Great Northern of Ireland	542	8.4
Great Southern and Western of Ireland	1121	13.8
Midland Great Western of Ireland	538	6.5
Midland (Northern Counties Committee)	263	5.7

In the above figures are included the totals (or proportionate amounts) of the mileages and capitals of

various small companies which are worked by those named, either separately or jointly.

Not every one of the 313 companies works its own lines; that would be too absurd, even for a British railway company, so several of the smaller lines are leased to the larger ones. This does not, however, prevent most of such companies from having their own Boards of Directors, there being 251 of these, and the total number of the Directors exceeds 1300. The number of distinct administrations *working* stretches of railroad is, however, something like 150.

The total nominal amount of paid-up capital of the railways of the United Kingdom at the end of 1906 was £1,286,883,341, divided as follows:—

Ordinary Stock.	Preference Stock.	Guaranteed Stock.	Loans and Debenture Stock.
£486,720,013	£336,674,114	£121,790,461	£341,698,753

Of this amount, however, £195,285,651, or approximately 15 per cent., was fictitious, or, in the words of the annual return issued by the Board of Trade, represented only "nominal additions on the conversion, consolidation, and division of the stocks of the railway companies." An instance of what is meant by this is the case of the Taff Vale Railway Company, which, in 1889, gave every holder of £100 of its No. 1 Preference Stock £125 new 4 per cent. preference stock, and £150 of ordinary stock, and every holder of £100 ordinary stock received £250 of the new ordinary

stock. As a result, the 4 per cent. dividend on the company's ordinary stock does not sound out of the way, until one realizes that it is actually a 10 per cent. dividend on the money really sunk in it.

Revenue and Expenditure

The receipts, expenditure, and profits of the railways of the United Kingdom in 1906, were as follows :—

	Gross receipts.	Percentage.
Passenger traffic . . .	£49,882,776	42.55
Goods traffic	58,394,217	49.81
Miscellaneous . . .	8,950,938	7.64
	£117,227,931	100.00
Expenditure	72,781,854	
Profit	£44,446,077	

This profit represents 3·46 per cent. of the total paid-up capital of the railway companies, but if computed on the capital as it would have stood had no nominal additions been made thereto, it would represent 4·08 per cent. As has already been shown, however, a large proportion of the capital of the railway companies consists of debenture and preference stock, and the average dividends paid on the different descriptions of stock were approximately 3⅓ per cent. on the ordinary stock, 3½ per cent. on the preference stock, 4 per cent. on the guaranteed stock, and 3½ per cent. on the loans and debenture stock.

The proportion of working expenses to the gross receipts was 62 per cent., and, as will be seen from the following table, this proportion has remained unchanged since 1902 :—

Year.	Total Working Expenses.	Proportion to Working Expenses.
	Million £	Per cent.
1897 . . .	53.08	57
1898 . . .	55.96	58
1899 . . .	60.09	59
1900 . . .	64.74	62
1901 . . .	67.49	63
1902 . . .	67.84	62
1903 . . .	68.56	62
1904 . . .	69.17	62
1905 . . .	70.06	62
1906 . . .	72.78	62

The foregoing table shows that if of late years the cost of working the railways has increased, the business and takings have increased in like ratio. The average proportion of the earnings to the total paid-up capital has, subject to a few slight fluctuations, steadily declined since 1872, as will be seen from the following table :—

Year.	Per cent.	Year.	Per cent.
1872 . .	4.74	1901 . .	3.27
1875 . .	4.45	1902 . .	3.42
1880 . .	4.38	1903 . .	3.43
1885 . .	4.02	1904 . .	3.39
1890 . .	4.10	1905 . .	3.42
1895 . .	3.80	1906 . .	3.46
1900 . .	3.41		

Although the average rate earned during 1906 shows a very slight improvement as compared with the last few years, it is evident that there has been a steady decrease in the rate of profits available for distribution. On the other hand, as the Board of Trade returns point out, these rates appear lower than they would, on account of the nominal additions to capital already referred to, which are still being made year by year. Eliminating these, the average yield for 1906 was 4·08 per cent., instead of 3·46 per cent.

Capital Increase

Another reason for the fall in the average dividend is that the paid-up capital of the companies is increasing at an entirely disproportionate rate. The increase of capital during the six years ended 1906 amounted to 110¾ millions sterling, and there is not very much to show for this enormous addition to the paid-up capital of the already over-capitalized railways. Certainly not new construction, because the new lines built during the same period amounted to 1208 miles only. This is rather an important point, and the table overleaf has been drawn up to show how much worse the position is getting year by year.

Most people are familiar with the fact that in the early days of the railways there was a fearful amount of jobbery and waste, with which I do not propose to deal here. The general opinion is that the present over-capitalization is due to these abuses of ancient date, but

reference to the following table reveals the startling fact that the capital of the railway companies has been piled up with unfailing regularity in a manner wholly disproportionate to new construction, so that, whereas each mile of railway in 1870 was represented by £34,105 of capital, there was £40,612 per mile in 1880, £44,707 in 1890, and £53,809 in 1900, from which date,

Year.	Mileage open for Traffic.	Total paid-up Capital.	Capital per Mile.
		Million £	£
1870 . . .	15,537	529.9	34,105
1875 . . .	16,658	630.2	37,872
1880 . . .	17,933	728.3	40,612
1885 . . .	19,169	815.8	42,558
1890 . . .	20,073	897.4	44,707
1895 . . .	21,174	1001.1	47,279
1900 . . .	21,855	1176.0	53,809
1901 . . .	22,078	1195.6	54,153
1902 . . .	22,152	1216.8	55,384
1903 . . .	22,435	1235.5	55,070
1904 . . .	22,634	1258.3	55,598
1905 . . .	22,847	1272.6	55,701
1906 . . .	23,063	1286.9	55,799

it will be seen, the rise continues year by year, until at the end of 1906 each line of railway had to earn a profit on £55,799. In the early days of railway construction, fabulous sums were paid for land, and as much has been spent in law charges as would build a fine network of railways; if, as is commonly believed, things are not quite so bad in this respect nowadays, how comes it that the capital is increasing at this

enormous rate, without a corresponding increase in mileage? It is evident that while the companies are always raising fresh capital ostensibly for new lines, much of it is spent on renewals and the provision of fresh rolling stock which ought to be met out of revenue, and where is it going to stop?

The following extract from Mr. J. Ellis Barker's *Modern Germany* puts the position forcibly enough :—

"The British railways have been, and are still, piling up capital indebtedness merrily until the day of reckoning, which assuredly will come, and then lost capital may have to be written off by hundreds of millions. No doubt a large part of this colossal sum of now about £60,000 per mile has been spent properly, but perhaps an equally large part represents promoters' plunder, water and, before all, 'improvements.' Our railways make it a rule when effecting necessary renewals, repairs, improvements, etc., to charge these whenever possible to capital account, and thus increase their indebtedness, instead of paying for these out of current earnings. In other words, they declare their property improved in value by the amounts spent on necessary repairs, renewals, and improvements. On the same principle, a man might claim that his boots are worth sixty shillings because he originally paid thirty shillings for them, and paid since then another thirty shillings on repairs. Unfortunately, there are some political economists and politicians in this country who consider it a matter of congratulation that the railways owe more than £1,200,000 to the public, although they are worth, probably, only half that

sum, especially as nothing lasts for ever, not even British railways."

Small wonder, therefore, if it is found difficult to earn fair dividends on capital that is "watered" to this extent, and the only explanation that the Directors can give is "increased taxation." It requires no great prescience to foresee the time when the top-heavy fabric of British railway finance will topple over, and there are signs that some of the men responsible for this state of affairs might themselves be anxious, ere long, to sell the railways to the State. When that day comes, it is to be hoped that the Directors will not be allowed to secure too good terms for themselves, whatever may be done for the stockholders. Perhaps the fairest thing would be to give them just as much "compensation" as they give one of the platelayers when they find they can do without him.

The rates of interest mentioned on page 16 are of course the average, worked out on the total paid-up capital. As is well known, the ordinary stock of some of the companies gives no return whatsoever to the holders. In 1906, this was true of £67,475,939 of ordinary stock (13·9 per cent. of the total), but against this must be set the fact that £57,977,606 of ordinary stock (11·9 per cent.) received between 5 and 6 per cent., and that £79,496,094 (16·3 per cent.) of the same description of capital received interest of between 6 and 7 per cent.

Miscellaneous.

The following table shows how the £49,883,000 of passenger traffic referred to on page 16 was made up :—

Ordinary Passengers.	£
1st class	3,429,000
2nd ,, ...	2,923,000
3rd ,, ...	30,584,000
Excess luggage, mails, parcels, horses, dogs, etc. . .	8,678,000
Season tickets . . .	4,269,000
	£49,883,000

The following figures represent the number of passengers, during 1906, excluding holders of season tickets :—

1st class	35,600,000
2nd ,, ...	42,565,000
3rd ,, ...	1,162,182,000
	1,240,347,000

The number of men employed on the railways is about 580,000.

The number of shareholders in the British railway companies is, strangely enough, almost identical with the number of workers, being about 570,000, but in this figure the same individual is often counted several times, as one investor may own stock in seven or eight different companies. In a letter addressed to Mr. L. G. Chiozza Money, M.P., Mr. George E. Smith, head of the well-known firm bearing his name, at Gresham House, London, E.C., which collects and collates

the names of shareholders in various concerns for circularizing purposes, stated that the number of railway shareholders in the British companies, after eliminating the duplicates, was approximately 180,000. It results, therefore, that the 23,063 miles of railway are the property of less than 200,000 individuals, and that the average amount of stock owned by each holder is over £6000. On the other hand, it must be recollected that some of the stockholders are limited companies, whose shares are distributed among a number of individuals. Such a company is the Railway Investment Company, which holds £3,400,000 of British railway stocks.

It would, of course, be possible to fill this book with railway statistics, but the foregoing have been selected as being perhaps the most useful for reference.

Other particulars, enabling comparisons to be made between the railways of the United Kingdom and those in certain other countries, are given throughout the book.

CHAPTER III

WASTE

It is my purpose in this book to put the case against the British railway companies in as small a compass as possible, but this task is not easy of accomplishment, as the mere list of the counts against the companies would comprise many pages. It is certainly much easier to deal with

THE GOOD POINTS OF THE BRITISH RAILWAYS,

as this can be done in few words.

Generally speaking, the permanent way is excellently laid, and kept in such a condition of repair that it need fear no comparison with foreign railway systems. The running of the passenger trains on most of the lines is good. That is to say, the engineering side of the work is performed satisfactorily; it is when we come to the administrative side that we find little but mismanagement and abuses.

The principal indictment against the British railway companies is WASTE—waste of the grossest description.

Directors and Useless Officials

This is a large item. As has already been stated, there are some 250 Boards of Directors, with about 1300 directors. It is difficult to discover exactly how much the directors get, but from what I have been able to ascertain, I should think that, in placing the total paid annually to railway directors in this country at half a million, I am erring on the side of moderation. I have before me the reports of the Great Northern and the Midland Railways for the half-year ended 30th June 1907. The Board of the former company consists of thirteen individuals (only four of whom are not men of rank), and includes Lord Balfour of Burleigh and Sir F. G. Banbury, Bart., M.P. The amount paid these directors for the half-year was £3338, which works out at over £500 each per annum.

The Midland Railway has a Directorate of fifteen, and states its Directors' fees as £9000 per annum, which works out at £600 per head, unless the "Audit Committee" of five (a body separate from the auditors) participate in this sum, in which case the average annual remuneration per head is reduced to £450.

This, too, does not take into account the value of the little gold medal which each railway director carries on his watch-chain, entitling him to travel first class on all the railways of the United Kingdom.

Now it can be proved that, if the railways were to pass into the ownership of the State, each one of these

1800 odd directorships could be abolished. If it be urged that these directors are really required, how is it that the Prussian State railways, the length of which happens now to correspond with that of the railways of the United Kingdom (the difference not amounting to 100 miles) are worked without a single railway director? The same holds good of the other German States, Belgium, Italy, Switzerland, Denmark, and the various other countries in which most of the railways are worked by the State.

The duties of all the different Boards of Directors are performed by one individual, the Minister for Railways. The salary of our own Postmaster-General, who stands in the same relationship to the National Post Office system, is £2500 per annum.

Not only are these Boards of Directors superfluous, but they are composed to a large extent of old men, who would not be allowed to remain in the public service, nor, indeed, in any other department of the railway companies themselves.

In this connection I cannot do better than reproduce the following article, which appeared in the *Daily Chronicle* of 29th October 1907:—

VENERABLE DIRECTORS

Many Men over Eighty on the Railway Boards

"Not by any means a majority of the directors of the railway companies are men who have had a training in business or industry. They are chosen because of

the titles which they bear or the financial interests which they represent. The majority of them were young when trade unions hardly existed. Some Boards could get a quorum by their septuagenarian or octogenarian members. The chief responsibility and the executive ability are found, of course, in the general managers, but the Boards decide all matters of policy and questions of principle, such as the non-recognition of trade unions.

"The average age of the directors of the South-Eastern Railway is 68. There is not a Board in the country which can equal it in years; it leads—for once. The leading Methuselah of the Board is Sir John Hollams, who, at 87, is considering the question of trade unions. Colonel Mellor and Sir Myles Fenton are veterans of 77, Lord Burton is threescore years and ten, and Lord Hothfield is only a year behind. The chairman, Mr. Cosmo Bonsor, is a comparative youth of 59, and a few other such young men reduce the average to the respectable figure of 68.

"There are five septuagenarians on the Great Eastern Board:—Mr. J. Foster 75, Lord Eustace Cecil and Sir William Birt 73, Mr. J. T. Mills 71, and Lord Knollys 70, Sir Henry Tyler is 80. The chairman, Lord Claud Hamilton, is 64.

"The chairman of the Brighton Company is the veteran Lord Cottesloe, who is at the head of this extensive system at 77, and he is assisted, among others, by Sir Arthur Otway, who is 85.

"Several members of the South-Western Board are over 70 years of age, including Sir Charles Scotter, the chairman, who is 72.

"The largest railway Board is that of the London and North-Western. There is a youth of 33 among them

—the Hon. Rupert Guinness; on the other hand, Mr. P. H. Chambers is 85, and Sir William Lowther 86.

"The Midland has one of the youngest Boards, the average age being a little over 60.

"Viscount Cross helps to direct the Great Central at 84. The Great Northern has hardly any director younger than 60; the chairman is 67, and Sir Henry Oakley is 84. Sir Alfred Baldwin, the chairman of the Great Western Railway, is 66, Mr. Alexander Hubbard is 85, two other directors are 77, and several others are over 70."

The following table I have compiled from particulars of the different companies given in the 1907 edition of the *Stock Exchange Official Intelligence.* The mileage and capital of the companies named will be found on page 14:—

ENGLAND AND WALES

Company.	No. of Directors.
Cambrian	9
Cheshire Lines Committee	9
Furness	7
Great Central	12
Great Northern	13
Great Eastern	11
Great Western	19
Lancashire and Yorkshire	14
London and North-Western	24
London and South-Western	12
London, Brighton and South Coast	11
Midland	15
North-Eastern	20
North Staffordshire	9
Somerset and Dorset	6
South-Eastern and Chatham	14[1]
Taff Vale	11

[1] Managing Committee. Eighteen Directors on the two separate Boards.

SCOTLAND

Company.	No. of Directors.
Caledonian	13
Glasgow and South-Western	10
Great North of Scotland	12
Highland	14
North British	14

IRELAND

Dublin and South-Eastern	8
Great Northern of Ireland	12
Great Southern and Western of Ireland	12
Midland Great Western of Ireland	7

Some of these figures invite comment. If the Great Eastern Railway, which operates 1134 miles of line, can manage with a Board of eleven directors, one would think that the London, Brighton and South Coast Railway, working only 454 miles, could do with a less number. On the same basis, the Great Western, with its mileage of 2879, would require a Board of 70 instead of the 19 with which it manages to get along.

Some of the smaller companies deserve attention. The East London Joint Committee, which owns 5 miles 54½ chains of line, but does not run a single train itself, the traffic being carried on by four other companies, requires four directors to manage its affairs, even though its total receipts from all sources in 1906 amounted only to £50,279.

The West Somerset Railway Company owns 14¼ miles of single line between Taunton and Watchet, and is worked by the Great Western Company, which owns the continuation to Minehead; but it has a

Board of five directors, one of whom is a Member of Parliament.

The Muswell Hill and Palace Railway owns 38 *chains* or, to be precise, 836 *yards* of double line, which are worked by the Great Northern Company. This company finds it necessary to have a board of three directors.

Then there is the Wirral Railway Company, which can hardly be called one of the railway giants as its total length is 13½ miles. It requires seven directors (including one M.P.), and of course has its own Traffic Manager, Loco. Superintendent, Engineer, Secretary, Solicitor, etc. etc. The company is itself an amalgamation of two separate railways.

The Barry Railway Company owns 44, and works 86 miles. Its Board consists of 14 directors!

The Mumbles Railway Company, owning 2 miles 60 chains of track, deserves mention, for the reason that two ladies are included in its Board of Directors.

The above are simply a few selected companies, and each has its separate Secretary, Solicitor, and Auditors.

Then, as regards the General Managers. It is on these men that the work falls, but there are too many of them and most of them are overpaid. It is understood that the Manager of one of the big lines receives £12,000 per annum (five times as much as the salary received by the most highly paid official in the Post Office), and £5000 is quite an ordinary figure.

In countries with a State system of railways, there are officials holding equivalent positions to those of our General Managers, but they are distributed over the country in a sensible fashion, and the areas under their control are similar in extent and importance. Here the Great Western with its 2879 miles has *its* General Manager; The Taff Vale Company with its 124 miles has *its* General Manager; and the London, Brighton and South Coast and the South-Eastern and Chatham railways have their own General Managers, sitting next door to each other and controlling traffic over the same stretch of country. Many of the minor officials in the higher ranks, such as the chief engineers, are paid salaries of from £700 to £1500 per annum, and in some of these departments work is performed by articled pupils who pay the engineers (not the company) fat premiums of a hundred guineas and more for the privilege of being allowed to do this work.

It is not until one reaches the lower grades that one meets with underpaid servants.

Duplication of Services

In the case of Directors we have to deal with a quite unnecessary expense; in the case of the General Managers, we have shown that there are many more than are required, because, owing to three or four small companies serving the same district, you have three or four General Managers where one would suffice. The same applies with even more force to the other higher

officials, such as engineers, superintendents, etc., and we have only to look round us in everyday life to realise how this waste runs through every branch of our railway administration, it being inseparable from any system in which one company endeavours to attract traffic from another.

If we walk across London Bridge into the Borough, we pass on the left a large goods depôt belonging to the Great Northern Railway; a few doors farther down we pass a similar one belonging to the Great Central Railway; then, separated by two small shops only, a depôt of the London and North-Western Railway, and a few doors lower down one of the Great Western Railway. On the opposite side of the road are similar depôts of the Midland and South-Western Railways. Each of these six depôts consists of a large yard, with parcels, ticket, and inquiry offices attached. At frequent intervals during the day one sees goods being carted into each of these yards, and the same goods being carted out again by the companies' carts to King's Cross, Marylebone, Euston, Paddington, or one of the other goods stations.

The waste involved by this duplication is immense. Here you have six different companies, each renting most expensive premises and land, each depôt and inquiry office having its own separate staff. If all these depôts were merged into one large goods yard, say twice (or thrice, if you will) the size of the North-Western yard, there would be ample room for all the

traffic, and an enormous sum in rent, wages, and other charges would be saved.

Now, very many places are served by two or more of these companies—in fact, five out of the six named take goods for Liverpool—and it frequently occurs that a ton or two of goods for one place is sent to one of these yards, and that a smaller quantity for the same place is sent next-door to the depôt of another company, while another parcel of goods, also for the same town, is sent to still another company's depôt across the road. Each of these three lots will be carted, with other goods, to a different goods station, unloaded, sorted out, and then placed on rail; whereas if sent in the first place to one central goods depôt in the Borough, they would at once go to make one railway truck-load.

If anyone says that all these different depôts, each a few steps from the other, are necessary, I would merely ask him if he thinks that, supposing the North-Western, the Great Central, and the Great Northern companies were to amalgamate, they would keep three different depôts, separated only by a few shops?

A few doors lower down the Borough, there is a large receiving depôt of Carter, Paterson & Co., the great firm of carriers. This firm, which is of course a private enterprise, takes and delivers goods all over Greater London and beyond. I wonder what the Directors would think if it were suggested that they should have one depôt for North London traffic, another—a few

doors distant—for South London traffic, and so on. Yet even that would not be so wasteful as the railway depôts, most of which take goods for the same places.

Thus far, however, only a small portion of the waste involved by all these depôts has been made clear.

There are, a short distance away, goods stations of the Southern companies, where goods are put straight on rail, instead of having to be unloaded, then loaded into another horse dray, taken through the crowded London streets, and finally unloaded at the goods station, as is the case with all the depôts named. Now, is it not perfectly clear that if all the railways were under one administration—be it State or Trust—goods would be put on rail at the nearest point, whether that station originally belonged to this company or that company? There is direct rail connection between the different systems, and we see plenty of coal and goods trucks of the Great Northern, the Midland, North-Western, and other companies, on the South-Eastern and the Brighton metals. At the Whitecross Street depôt of the Midland Railway, in the City, goods for Manchester are received and loaded straight into the trucks on the metals; if the same goods are taken into the North-Western depôt, a few yards distant, they have to be carted through the streets to the nearest rail point belonging to that company.

If our railways were under one administration, not only would there be a vast saving of money, but the community would benefit in many indirect ways.

These railway carts form a considerable proportion of the heavy street traffic that is the despair of the authorities and populace in London; but in Belgium and Germany, where trade is as intense as in this country, one sees hardly any street traffic of this description.

Then there is the fearful waste involved by the employment of thousands of canvassers whose mission it is to call on people sending and receiving goods, and to try to get their traffic. This is perhaps one of the worst instances of unnecessary expenditure with which we are confronted, for the railway companies, at their regular rates conferences, fix rates for the carriage of goods to points where they compete, which must be adhered to by all. Just as it costs 16s. 6d. third class from London to Liverpool whether one travels by the North-Western, the Midland, the Great Northern, the Great Central, or the Great Western, so one company is under agreement not to charge less than the others for goods.

All that competition can do, and the canvassers can promise, is quicker delivery; and if the railways were all worked under one administration, there would be no occasion for this, as the bulk of the goods would of course be sent by the most convenient route. At the present moment goods sent from London to Liverpool and on the North-Western metals travel 201 miles; but five other companies fight for this trade, and the Midland has to carry the goods 220¼ miles, the Great

Northern 229 miles, the Great Western 230 miles, and the Great Central 240½ miles, for the same money. Either the North-Western is charging too much, or the others, to compete, are charging too little, in which case they must make up the loss on goods consigned to places where they have a monopoly.

All the money that is spent by the companies in needless competition, it must be remembered, has to be made up somehow or other if they are to return any interest to the stockholders, and it is on the traders and the public that the burden ultimately falls.

I have said that the only inducement that a railway canvasser can hold out to a merchant to send goods by *his* line instead of another, is better facilities for handling it. The word "honestly" should be added, because various dishonest tricks are resorted to. Thus, I know one case in which a certain railway secures all the traffic of a large engineering concern, because the canvasser has put them up to dodges in classification which are winked at by his company solely in order to secure the traffic at the expense of competing lines.

Would this be necessary if the railways were under one management?

Waste in Working

If a goods truck belonging to one company remains on the metals of another company for more than three days, the latter company has to pay demurrage; this occasions waste in two ways.

It means an enormous amount of unnecessary shunting in order to get the "foreign" trucks out, and every truck and tarpaulin that goes on to another company's metals has to be booked. The Railway Clearing House employs some 3000 clerks on work of this sort —practically all of which would disappear if the railways were under one administration. There is no railway clearing house abroad, but we have one in London, and another in Dublin for the Irish railways.

Small Truck-Loads

Another consequence of our having several railway companies is that the average load per truck is much smaller than that of the railways in any of the great trading nations, and this in spite of our enormous trade. Instead of having a small number of heavily laden goods trains from one centre to another, we have three or four times the number of goods trains that are needed for the traffic, each carrying one quarter of what it might do.

Thus, the London and North-Western railway could, probably, with its existing stock, handle the whole of the traffic between London and Liverpool, for which traffic it is best placed, having the shortest and most convenient route. This is an important point, and a moment's reflection will show us that, in consequence of this absurd competition and duplication, we have in this country three or four times the amount of rolling stock that the traffic really requires. The same holds

good, of course, of all classes of rolling stock. The following table, which is taken from the statistics published by the German Government, requires little comment:—

	Germany.	United Kingdom.
Number of locomotives per 100 kilometers (about 62 miles)	40	62
Number of passenger coaches	80	139
Number of goods trucks	807	2094
Average train load (goods), tons	160	68
Average number of passengers in train	74	41

Where two or more companies compete for the traffic the total amount of rolling stock is of course more than is required for the traffic, because not only does each company run a number of half-empty trains, but it must also provide for a margin to deal with any rush. When it is borne in mind that the cost of an ordinary locomotive is about £2500, that a third-class passenger coach represents something like £400, and a first-class one £700, while a composite coach works out at about £1000, and the ordinary 10-ton goods waggon costs £80 or £90, it will be seen what a great amount of money is wasted on unnecessary rolling stock, the capital sunk therein requiring interest, and one begins to understand why the British railways, although they earn a larger profit per mile than any other railways in the world, pay so low an average rate of interest to the stockholders.

Duplicate Stations

Everyone is familiar with the spectacle of two, and in some cases even three, stations side by side, each with its separate station-master, signal box, booking office and staff, when one would suffice.

At Warlingham, in Surrey, there is the Brighton Railway Company station, and parallel to it, merely a few steps away, is the South-Eastern Railway station; at Bermondsey, you have South Bermondsey on the Brighton line, only a few yards distant from Southwark Park on the South-Eastern Railway, both lines running side by side to London Bridge; and it would be possible to give scores of similar cases all round London and up and down the country. It is worse still if one considers the termini. King's Cross and St. Pancras are next door to each other, with Euston and Marylebone in close proximity. At Victoria only a wall divides the Brighton from the South-Eastern and Chatham station; at London Bridge the same remark applies to the stations of the same two railways. If only the wall were knocked down, things would be a bit better. Why on earth a passenger coming in to the Brighton station at London Bridge should be compelled to walk (and perhaps have his luggage transported) half a mile before he can reach a parallel platform, simply because it belongs to another company, when a hole in the wall, or a subway, would enable him to get from one platform to another, is beyond human comprehension, and the

British public only stands it because it knows no better.

Exactly the same state of affairs used to obtain in Germany, and I know scores of cases where one handsome and commodious station now replaces two, or even three, old ones. One had the same silly state of affairs at Leipsic, where, under the régime of the companies, three stations, carefully insulated one from the other, stood side by side; the railways, being now under one administration, viz. that of the State, an enormous station which will cover the whole lot is in course of construction. This station, it may be mentioned, is to be the largest in the world, and is to cost six and a half million *pounds* sterling, the profits under State administration permitting of this sort of thing.

CHAPTER IV

HOW PRIVATE OWNERSHIP OPPOSES REFORMS

We still hear much of the benefits of competition among the railway companies. As a matter of fact, however, the whole system of private ownership is detrimental to reforms, because any new scheme is not viewed from the standpoint: *Is it for the benefit of the public?* or, *Will it facilitate traffic?* but, *How will it affect our profits?* A few years ago it was proposed to bore a tunnel between a point on the London and South-Western Railway system and the Isle of Wight, which, by rendering unnecessary the short sea passage, would largely facilitate traffic and be of great convenience to residents and visitors. The Brighton Company spent money in opposing this scheme, for the simple reason that it would bite into the profits arising out of their traffic to the Isle of Wight *via* Portsmouth, and nothing more has been heard of the scheme. Imagine such a thing occurring under State management!

Mentioning Portsmouth reminds me that there is an agreement between the Brighton and the South-

Western Companies, both of which serve that town, that no train shall perform the journey in less than two hours; so that even in the matter of speed there is often no real competition between the different companies. If the railways were nationalized, the bulk of the traffic would, of course, go on the South-Western metals, that being naturally the better route; and just as many trains would travel by the Brighton route to Portsmouth as were required by the local traffic and by the exigencies of the general traffic. It might be that the shorter route would be used more for passenger traffic, and that the less convenient route would be used more for goods traffic during the day; this would be a technical matter, but one thing is certain, that under one administration the service would be organized with a view to true efficiency and economy.

In the *Fortnightly Review* some years ago, a writer stated that the Brighton Company paid the South-Eastern Company the sum of £24,500 per annum *not* to exercise their running powers into Eastbourne. This is really delightful.

Confirmation of the existence of such an arrangement was afforded by the remark of a shareholder at the Brighton Railway Meeting on 5th January 1908, reported in the *Financial News* as follows:—

"Mr. Rodocanachi remarked that the agreement with the South-Eastern Company, under which this company paid them something like £35,000 a year

to keep out of Eastbourne, expired this year, and he suggested that when the terms of a new arrangement were made, attention should be given to dividing other traffic so that the shorter route should have the preference."

Circular Tickets

Then there is the Rundreise system so popular on the Continent, which is practically unknown in this country.

By this system you map out your own route, and get a ticket, 1st, 2nd, or 3rd class, for any length journey above a certain minimum distance, at a great reduction on the ordinary fares. The journey may be broken at any point, and the different sections of the ticket may be used in either direction or by any one of alternative routes.

If this system obtained in this country, I could walk into Liverpool Street station, look at a map of the country's railways, and choose my itinerary regardless of whether one bit of the journey had to be taken over one company's metals or another. I could plan out a trip, say, to Cambridge, thence to Bedford, Oxford, Basingstoke, Salisbury, Southamptom, Portsmouth, Brighton, Hastings, and back to London. The ticket clerk would then calculate the distance, work out the cost per mile, subtract a discount of about 33⅓ per cent., and would prepare my ticket. If there were three routes from one place to another, I could use just that which best suited me, and if I lost

a South-Eastern train at Hastings, I could catch the next train on the Brighton Company's route from that town to London.

This system is not limited to the home traffic of a country, but, by agreement between the different administrations, is applicable to international journeys, and that it is not incompatible with company administration is shown by the fact that these tickets are exceedingly popular in France. They are really long distance excursion tickets at will.

The following translation of one of the standing advertisements of the Paris-Lyon-Méditerranée railway is instructive:—

INTERNATIONAL JOURNEYS WITH CHOICE OF ROUTES

"All the stations of the French railways, as well as certain travel bureaux, issue at any time of the year circular tickets, with routes determined at the choice of the passenger, over any of the following lines:—

"(*a*) Any of the French trunk lines, Algerian, Tunisian or Corsican railways.

"(*b*) Certain steamer routes.

"(*c*) Any of the railways of Europe except those of *England*, Spain, Portugal, and Russia."

The word printed in italics shows that, as regards these facilities to travellers, the British railways are bracketed with the Russian lines and the two worst railway systems in the world, as not being parties to the international system of circular tour tickets at reduced rates.

The point is driven home in still more humiliating fashion by one of the State Railway systems of Europe, for in its excellent illustrated booklet, printed in *English* for the use of Britishers and Americans (see page 110), the Belgian Government states—

"If, for instance, it were possible in England to buy one ticket at a considerably lower cost than a series of tickets at the ordinary fares, which would be available for a tour from London to Dover, thence to Hastings, Portsmouth, the Isle of Wight, Southampton, Exeter and the West of England, the Lake District, and back to London by Scarborough and the East Coast route, or for any similar tour, many would gladly avail themselves of the privilege. But while such tickets do not exist in Great Britain, on the Continent a traveller can choose his own route, and procure a ticket which will give him the right to stop not only at the principal stations on the main lines, but at any out-of-the-way places that he may select. Nor is he confined to one particular country, but he can continue his tour uninterruptedly through all these countries which have adopted the *Rundreise* ticket system."

There is a rather unpleasing feature, too, about the manner in which some British companies having Continental traffic draw attention to these tickets. Most of the Continental time-tables do refer to these foreign circular tickets, and quote some through fares from London, etc., to the Continent; but they only quote first and second-class Rundreise tours, thus

leading most travellers to infer that they are only issued for the higher classes. The only interpretation that can be put on this is that the British companies do it for the purpose of causing passengers to travel first or second class on *their* small section of the journey.

Registration of Luggage

The conservative Britisher naturally does not admire *every* feature of railway travel on the Continent, but I have never heard anyone acquainted with Continental railways who failed to express wonder at the British companies not having introduced the simple system of luggage registration. You hand in your luggage at an office before the departure of the train and receive a ticket for it, against surrender of which, a few minutes after the arrival of the train at the station booked to, it is handed out to you; or you may go to your hotel or residence and send someone to collect it for you.

Heating of Trains, Etc.

On no State system of railways would the people tolerate the absence of heating that is so conspicuous a feature on all our local trains in the winter, and so many of the expresses on some lines.

One has to be in England to witness the delightful spectacle of first-class passengers being provided with foot-warmers, while the second and third-class passengers shiver. Even a third-rate *local* train on the State

systems on the Continent is fitted with heating apparatus.

Lavatory accommodation on the trains is much more universal on the State systems referred to, and is not limited to long distance trains.

Cloak-Room Fees

In no country have I encountered a method of treating passengers so insulting as that of the British companies in the matter of cloak-room fees.

On the State-owned railways of the Continent this fee is generally half that charged by the British companies, but the principal difference is that one's receipt is handed out without prepayment; you pay when you collect the baggage, which is obviously the sensible thing to do, because, the charge increasing in proportion to the number of days the articles are left at the cloak-room, it is only when one's belongings are removed that the amount can be determined. But it has not occurred to the British companies that the articles deposited form security for the charges, so they refuse to accept them unless the minimum payment of twopence is at once made.

The companies are too busy manœuvring to get away from each other some of the competitive traffic, to have time to consider little points like these; but they do find time to devise such disgusting schemes as to publish on their stations the names and addresses of persons convicted for offences against them, thus

punishing people *twice* for the same offence—a thing that is considered to be un-English, and which has been severely commented upon by several magistrates.

Statistics

It is humiliating for the Englishman who is interested in railway matters, when consulting international comparative tables, such as those published by the German Government, to find gaps only in the statistics of the British lines, a note informing one that the British companies do not compile these statistics. It may be added that the American companies *do* work out these data, the importance of which will be gauged from the next chapter.

Advertising

Where the entire railway system is in the hands of the State, little advertising is necessary, for one does not require to be told that such and such a route is the best, when one has the choice of any route, and fixes upon that one which is most suitable or expeditious. Mendacious maps, omitting or distorting rival systems, and the illustrated posters which each of the companies puts up all over the place, in order to attract holiday-makers to towns on their system, become unnecessary, and only special excursions or facilities, important changes, etc., need to be advertised in the press. The saving that would accrue to the British railways in this direction alone, were competition eliminated, would be enormous.

Lack of Uniformity

This is one of the principal drawbacks of the present system.

There is no uniform loading gauge (restrictions on height and width) on the railways of the United Kingdom, a fact which militates against the free interchange of traffic. Under a Central Administration, things would be standardized, with resultant economies. There would also be some desirable uniformity in the Refreshment Room charges. At Victoria, in the South-Eastern and Chatham Station, where the catering is done by J. Lyons & Co., Ltd., on a profit-sharing basis with the Company, you can get an excellent cup of coffee for 2d.; next door, in the Brighton Station, a cup of coffee, much inferior, costs 50 per cent. more. On some companies' systems the catering is abominable, in others it is better; but the lack of uniformity is lamentable. Why on earth an important junction like Finsbury Park, on the Great Northern Railway, should not have a refreshment room, when New Cross, on the Brighton Railway—a station even nearer the terminus —should possess this convenience, is past human understanding.

One instance as to prices. In the refreshment room at London Bridge (Brighton line) hangs a notice—

SOUP WITH BREAD

1/-

The notice is framed—as indeed it deserves to be. Memory goes back to a commodious refreshment and waiting-room at a junction between Berlin and Hamburg on the Prussian State Railways. The room is lighted by electricity and well warmed, newspapers and magazines lie around at the disposal of passengers. An excellent meal *à la carte*—soup, cutlets and vegetables, pastry, a cup of coffee and a cigar—totals up to 1s. 5d.! In Germany the railway catering is so good that the townspeople often dine at the station.

CHAPTER V

THE SHAREHOLDERS' INDICTMENT OF THE RAILWAY COMPANIES

It may be said that this book deals with the railways of the United Kingdom from a biassed point of view.

Now it is common knowledge that both the trading and general community are loud in their complaints. In reply to a deputation of traders which waited upon him on 13th December 1906, Mr. Lloyd-George, the President of the Board of Trade, said—

"I may say here that in the near future we will have to reconsider the whole question of railway rates from beginning to end. I have been very much impressed since I came to the Board of Trade with what one speaker has called the great and growing discontent with the whole system."

If, in addition, it can be proved that many of the capitalists and shareholders, in their capacity as such, are equally dissatisfied with the management of the companies, surely the breakdown of the present system is proved.

The Railway Investment Company Limited, is a large trust company, having some £3,400,000 invested in the stocks of the various railway companies of the United Kingdom. As will be seen, its interest in the London and North-Western Railway at the beginning of 1906 amounted to £375,000, so that the Chairman of this trust company, speaking in his representative capacity, is probably better qualified than any other individual in the country to express the views of the stockholding class.

The following is a report of the address of the Chairman (the Honourable George Peel) at the General Meeting of shareholders held on 22nd March 1906, and it is printed exactly as it appeared in the *Statist* of 24th idem. It requires no comment:—

The Progress of Railway Reform

Speech of the Chairman of the Railway Investment Company

"As everyone is aware, British railway administration is efficient in many respects. There are, however, other respects in which, if I may say so without offence, it is open to criticism and amendment. But here again since the year 1900 a movement for the remedy of these latter deficiencies has been continuously in progress, which, if it attains a full measure of success, may restore 'the proud supremacy of British railways.'

The Authors of Reform

"As usually occurs with movements of this nature, it originated and has been led by a mere handful of individuals. As you know, it has fallen to my lot to be one of them from a sense of duty to our large body of shareholders, and on their express and unanimous authorization. I am sure that you will allow me to say that it has proved no light or agreeable task to discharge that obligation, even though I have shared it with gentlemen so much more experienced than myself; for in our advocacy of better methods we have had to encounter a powerful opposition from authorities wedded to the old methods of management.

"Hitherto I have not made to you any full statement of our action. But to-day, after so long a period of reserve, my co-directors have asked me to render a full account. That is a serious undertaking. In discharging it, however imperfectly, I shall hope to abstain from all those personal criticisms to which we ourselves have been subject. Indeed, I shall say all that can be said in this connection in favour of the railway companies, who in opposing us have, no doubt, been actuated by worthy motives.

"Speaking in this reasonable spirit, I shall explain—

"1. The cause of our undertaking this movement, and our specific proposals.

"2. The practical benefits which, so far as we have overcome opposition, British railways have thereby already secured.

"3. The far greater benefits which British railways would already have secured if they had adopted our

proposals in their entirety, and had not opposed them, to their own detriment and loss.

The Motives for Reform

"The year 1900, which I must take as my starting point, will always form an epoch in the history of our railways. At that date powerful economic forces began to operate in full measure against their prosperity, or, to be more precise, powerful and economic forces, which had long been in silent and almost unnoticed operation, came suddenly to a head and stood unmasked. With 1901 a crisis seemed rapidly to approach. There was a serious fall in railway dividends, and the holders of our railway capital of over £1,000,000,000 had to face a formidable decline. These facts naturally engaged our earnest attention. Your interests were suffering most severely, and we were bound to take thought, and, if necessary, to take action. We accordingly turned our attention to the London and North-Western Railway, in which we possess an interest of £375,000, the third largest holding. But it was Mr. Spens, of the Stock Conversion Trust, who represents the largest holding of all, who first took action on behalf of his shareholders. Thus, not only did we represent an immense interest in the London and North-Western Railway, but also that Company, being the premier railway, would serve as a standard and example for the rest.

"We found that in the ten years prior to 1901 that Company had spent a capital sum which required to earn, in order to maintain the former rate of dividend, an increased net revenue of £411,000. As a matter

of fact, not only was this not earned, but there was a net loss of revenue of £216,000, or a total loss of £627,000 in 1901 compared with 1891. This loss was due, not to a fall in receipts, but to the increased expenditure on handling the traffic and to the increased cost of materials and coal.

"We next turned our attention to the accounts of the railways as a whole. And here we found corresponding facts. Here, too, gross earnings were not to blame. The gross earnings of British railways were quite unprecedented; instead of there being any lack of traffic, the volume of business was unusually abundant. But it was in expenses that the mischief lay. According to the Government's mineral returns, the cost of coal at the mines in 1896 was 5s. 10¼d. per ton. In 1900 it had reached the price of 10s. 9¾d. per ton. This had been accompanied by a rise in wages among miners—a movement which had spread to other trades—and this had further reacted upon the railway companies, whose wages are regulated by the general standard throughout the country. In a word, whereas from 1880 to 1890 the proportion of expenses to receipts of all our railways fluctuated between 51 per cent. and 54 per cent., that proportion had grown steadily until, in 1901, that figure was to rise disastrously to 63 per cent. Thus we found that what was true of one railway was true of all. They were in the grip of economic forces which, even if prices should recede to a more normal level, seemed, on a careful survey of general tendencies, to have come to stay.

"But there was another consideration that weighed equally on our minds. According to our reading of

the Railway Act passed in 1844 by the Government of Sir Robert Peel, the railways of this country can be purchased by the State at three months' notice. The terms of purchase are, in the concise words of the Royal Commission on Railways of 1867, that the State can acquire the railways 'for a sum equal to twenty-five years' purchase on the average annual divisible profits for three years before such purchase.' There are other considerations, but that is the gist of the matter. It was time, we thought, to remedy the fall in divisible profits, if these constituted the basis of State purchase.

Traffic Reform

"The main remedy which presented itself to us as most feasible was as follows: If our evil lay in the high prices of coal and material and the advance in wages, and if, as we ascertained, we could not raise rates to recoup ourselves, our only hope was to economize in the direction named.

"It is hardly too much to say that from the years 1844 to 1900 the goods traffic of our British railways was handled on expensive, and even extravagant, lines. The Royal Commission of 1867 adverted to that subject in its report, but the year 1900 ended with practically nothing accomplished. Thus we found that from 1880 to 1900 'there has been little or no increase in the average train load' of a goods train on the London and North-Western Railway. In other words, as that Company—and it was typical of the rest—got more traffic it merely ran more trains with very light loads, and thus had 'made practically no progress in

the economical handling' of its traffic. But if our railways could be persuaded to run fuller train and waggon loads, that would mean fewer trains and waggons. Fewer trains and more heavily loaded waggons would mean less proportion of dead weight hauled, fewer engines, fewer waggons, and less coal; greater efficiency of staff; less spent on the maintenance, renewals, and purchase of engines and waggons, less congestion of traffic, less delay, and less capital expenditure on new lines. Here was one main solution of the problem before us. Once stated it seems tolerably simple. But the fact remains that up to 1900 the proposed reform had not been executed on any appreciable or adequate scale in England.

"Two important dates, not far removed from each other, mark the inauguration of the great change which was now to be pressed home for the first time on British railways. The first was April 1, 1899, when the *Statist* published an article written by Mr. George Paish, another of the handful of individuals already referred to, the well-known authority on British and American railways. In it he pointed out the extraordinary success already attained by American railway managers in loading and handling traffic, a success which, I may add, has continued to the present time, and which is reflected in the immense profits and high dividends of American railway companies. The next date was September 8, 1900, when the *Statist* published another article from the same pen, making a strong and urgent appeal to our railway people to adopt the American practice of handling goods traffic economically. 'If American railroads can effect saving in this manner, cannot our railroads also do so? In

the past there has been no pronounced attempt in this direction—the average load is now much the same as it was twenty years ago.'

"In order to do entire justice to our railway authorities —and I wish to do them even more than justice—the appeal of 1900 had some effect on their working in 1901. Analysing the figures of the nineteen leading railways, and comparing the first half of 1901 with the corresponding half of 1900, it would seem that goods-train earnings fell off 3·2 per cent., but in the same period the goods-train mileage decreased 5·4 per cent. Therefore the train miles run had shrunk in a larger proportion than the goods carried, and therefore some economies in handling the traffic had evidently been instituted. It was not much, perhaps. It was very tentative. It was a mere trifle compared with what had been done elsewhere. But, such as it was, we welcomed it publicly as being all to the good.

The Reaction against Traffic Reform

"It is equally right that I should do justice to the fact that the *Statist* articles had a prompt effect on the chairman of the London and North-Western. In fact, on May 11, 1901, he acknowledged it generously and publicly, in explicit terms; so that here, too, the change appeared to have been inaugurated satisfactorily. But those of us who looked most closely at the course of events found that, unhappily, following on these initial proceedings, came a repudiation of the very methods which, before permanent progress could be secured, had to be mastered thoroughly. Thus, in 1901, the North-Western Chairman assured the public

that the conditions here and in America were absolutely different, as though dynamics altered with the Atlantic. Next year the reaction had gone further, and on June 20, 1902, we received from the North-Western an official letter declaring that 'American methods of dealing with goods traffic are, for the most part, inapplicable to the goods traffic of this country.' It was evident to us that the reform, which we had hoped was being finally appreciated, was already in danger of being set aside, perhaps by powerful opposing interests. And this belief turned to certainty when we were informed on November 21, 1902, on the same authority, that 'experience shows that the course of trade in this country will not yield heavy waggon loads of goods or merchandise traffic,' and that, as regards waggons for mineral traffic, the prospect in that direction was almost equally hopeless. As the *Times* said in a leading article, in December 1902, this reply was couched 'in terms which practically amount to *non possumus*.' The *Scotsman*, following suit, declared that our case for a better method of traffic was 'unanswerable,' and deplored that our leading directorate was 'lamentably behind the times.'

"In these circumstances we decided, after the most careful deliberation, to summarize our views in a letter dated December 10, 1902, which, if I may say so, forms the second epoch in the history of railway reform in Great Britain. Scrupulously moderate in tone, it dealt with the specific contentions of the Board. And then, on another level, it laid down a practical and comprehensive programme as regards co-operation, as regards traffic, as regards statistics, as regards wasteful competition, and as regards public

burdens, which is still far in advance of the practice of to-day.

"In order to render ample justice to the London and North-Western, let me hasten to add that the effect of our public stand against them was soon marked. Thus, on February 20, 1903, the Chairman was able to announce that 'our goods department has also been experimenting with large trucks, and whenever we see an opportunity of using these waggons, or getting others to use them, we shall undoubtedly do so.' This was a more satisfactory announcement, and indicated that the tide had once more begun to flow in the right direction. Since then, I think, our views have been more and more recognized; so that at the general meeting of the North-Western in February last, at Euston, it was right for me, speaking on your behalf, to congratulate the Company on their effort in the direction which we had so long advocated.

Our Proposals for Traffic

"I will now dwell for a moment on the nature of our proposals for traffic. Though severely attacked as 'American,' they were not really in any sense un-English. We only desired the five following practical changes: (1) An increase in the number of waggons behind the engine, to the full capacity of the locomotive; (2) an increase in the load per waggon, to be procured by efficient loading up to the capacity of the waggon; (3) the building of engines of greater capacity than before; (4) the building of waggons of greater capacity than before; (5) the passenger traffic to be handled more efficiently.

Progress in Traffic Reform

"As regards the specific points of improvement in traffic just alluded to, the fourth, relating to larger waggons, merits a few words. The total number of waggons in this country is about 1,500,000, of which about one-half are owned by the railways and the balance by private traders. Traders' waggons are used almost wholly for minerals. We found their capacity restricted to a maximum of 10 tons by the Railway Clearing House specifications. In our letter of December 10, 1902, and elsewhere, we urged the issue of larger specifications for traders' waggons. I am glad to say that this recommendation has been adopted, so that traders are now permitted to build waggons of 12, 15, and 20 tons capacity. I hear of one firm which now has some thousands of mineral waggons of higher capacity than 10 tons. As regards the mineral waggons owned by the companies, we also ventured in 1902 to point out to the North-Western that its 'conceptions' on this point were somewhat out of date. Here, too, experience has ratified our opinion. The old maximum of 10 tons has been superseded. A large number of 12, 15, and 20-ton waggons have been built and are in use, not to mention others of a larger capacity. Even so, I believe that much remains to be done in this direction.

Results of Traffic Reform

"Let me now advert to the solid results of this movement for the better handling of goods traffic in this country. Has our 'mischievous agitation' had any result? And, if so, what is the result? Were we

right in saying that the handling of goods traffic was far from perfect, and could be vastly improved? Let the facts, once for all, decide. I will compare 1899, the year before this movement started, with 1905, which is the last year for which we have the full accounts. Here are the figures: taking the great lines, the North-Eastern has improved its train load during that period by the enormous total of 55 per cent. This justifies our forecast of 1901, that by the application of scientific methods there could be an increase of 50 per cent. in this direction. The Lancashire and Yorkshire stands next with 38·2 per cent. increase. Next come the London and North-Western, the Great Northern, and the Great Western, with 30·6 per cent., 28·9 per cent., and 27·8 per cent. increase respectively.

"Allow me, however, to put the matter more comprehensively. Taking 32 railways in the United Kingdom, the actual number of freight-train miles run in 1905 was, roundly, 146,000,000. But that figure would have been no less than 182,000,000 if the freight trains had been run on the expensive and extravagant system which was in vogue in 1899. That is, a saving of no less than 36,000,000 freight-train miles has been effected in respect of a single year. Consider the economies thus resulting in every branch of railway expenditure, and consider also what would have been the financial position of our railways to-day if matters had been allowed to remain as they stood in 1899. Even though much remains to be done in this direction, the results already effected must be a source of congratulation to the officials and of gratification to ourselves.

Reform in Accounts

"There was another remedy which we have advocated, and this is destined to be, perhaps, the most far-reaching and fundamental of all. It was gradually forced upon us, as it were inevitably, from our advocacy of a better system of handling traffic. For during the course of our campaign in that direction we naturally turned to the railway accounts as published half-yearly, in order to ascertain the progress, or otherwise, towards efficiency. And then we were met with the fact that the accounts told us little in these essential particulars. So we asked for better figures, and for years have been refused.

"Yet surely it must be tolerably obvious that, if economy is to be insisted on, it is necessary to know, in the first place, how much work is done, or, in the case of goods traffic, how far the tons of freight are carried—in fact, how many tons are carried how many miles. But our English accounts give no such figures. When we asked the Chairman of the London and North-Western for it, he said, on February 20, 1903, that his 'impression' was that it was 'valueless.' On the other hand, on December 16, 1902, Mr. Acworth, the eminent authority on railways, and one of the representatives of the British Government to the International Railway Congress held last year in Washington, in his admirable address at the Royal Statistical Society, had pointed out that these precise figures 'are found to be of great practical use in all other countries.' But perhaps so elementary a proposition can stand by itself.

"To take a second instance: as we were advocating

better loading of trains by adding more waggons behind each engine, and the better loading of waggons, it was necessary to watch the tendency in these points. But our railway accounts furnish no information whatever as to the average train load or waggon load. We asked for them, and we received for answer that these and similar figures were unnecessary and undesirable, as revealing too much of the business of the Company, although they are prepared and published elsewhere, particularly in the United States, where competition is keener than it is here. Besides, to excite competition in economy was one of our very reasons for asking for these figures to be published, since, if each company published these comparisons of their relative efficiency, conclusions as to the relative efficiency of their administration could then, for the first time, be adequately instituted. We held that there was too much truth in the words of Mr. Acworth, that 'shareholders have no material on which to base an intelligent criticism of the operation of their railway.'

The Opposition to Figures

"If it were not so serious a topic for our interests, it would be almost amusing to consider the keen indigna- into which our request for figures aroused, and still arouses, in the railway world. Our insistence on better methods of handling traffic had excited considerable feeling, but that we should now require the corresponding figures was too much. There was a regular outbreak.

"Great authorities said all manner of different things at the same time; they were 'ever ready to learn' at

one moment, and at the next they denounced the statistics as 'absolutely useless.' Then they turned round and declared that they were looking into the matter and would keep 'a perfectly even mind,' and that they loved 'full and accurate statistics' excessively. Then they tried invective, and called us mischievous agitators, and said that we were damaging the line. And then suddenly they became pathetic and complained of 'a feeling of unrest,' which in some quarters was taken as a suggestion that they were suffering from too much work.

The Need of Figures

"I am afraid that all these appeals to sentiment have exercised very little effect on Mr. Burdett-Coutts, M.P., who is, as you know, another of the individuals already mentioned, and who has been a consistent advocate of this reform during these years. He has appreciated the subject not as the representative of great interests, but solely from the public point of view. In a series of speeches at Euston he has enforced the absolute need for statistics, as the prime instrument of economy, with a force and clearness which leave nothing to be desired. Thus, on February 20, 1903, in reply to the Board's assertion that no more figures were needed, he pointed out that our accounts furnished no information as to at least eight most important points: (1) the ton mileage, (2) the passenger mileage, (3) the train load, (4) the waggon load, (5) the engine load, (6) the length of haul, (7) the average receipts per passenger per mile, and (8) the average receipts per ton of freight per mile. Yet even all this was but a fraction of the whole

deficiency in the necessary statistical data. And then he elaborated a positive catalogue of what is needed before our railways can be managed on economical lines. To that speech there has never been any adequate answer, and there never will be till the thing has been done.

"As we looked more closely into this matter, the more grave and essential did the case appear. It was sometimes said that, after all, though these figures were not published, they were possibly hidden in the official desk, and that by raising the lid any official could see them, though we, the proprietors, could not. But all these doubts are finally set at rest by a reference to some observations by the present Sir George Gibb, then General Manager of the North-Eastern Railway. He stated that 'not only is the information absent from published reports, but it is known not to exist. It has not been the practice in England to compile such information.' On December 16, 1902, he followed up this with the declaration that 'it must be conceded that the present accounts are inadequate, and do not enable anyone to form a sound judgment on the management, economy, and working or stability of the affairs of a company.' Sir Edward Grey, the present Foreign Secretary, then Chairman of the North-Eastern, also said on August 11, 1905, that ton-mile statistics 'are a simple and, from our point of view, cheap and comprehensive method of telling you the amount of work you have done. You want weight and distance combined to know the amount of work the railway has done, and the ton-mile gives you that.'

The Government and Figures

"This matter of figures cannot in the long run rest here. The companies have declined to furnish due information to their shareholders. Their returns to the Government are correspondingly inadequate. But in the latter case the Government have a statutory right to ask for proper figures. It has become a matter of comment that the Board of Trade should so long have allowed this state of things to continue, and should not have insisted on applying their statutory remedy by asking for proper accounts. In that case, of course, we shareholders would come by our own, for it would be too great an absurdity if what was informed to the Government should be still withheld from ourselves. But, of course, our appeal lies not to the Board of Trade, but to the companies. It would have been much more judicious if the companies had long ago provided us with these figures voluntarily, and their refusal is deeply to be regretted on every ground.

Co-operation in Extravagance

"There was a third remedy which we have steadily advocated, and this followed naturally upon the second. We knew that the absence of adequate figures, to quote the words of the Railway Commission of 1867, 'deprives one company of the means of profiting by the experience of another,' and by keeping shareholders in ignorance precludes them from insisting upon competition in economy between the companies. For this healthy competition, only made possible by full and accurate statistics, has been substituted a most

wasteful and mischievous system. I can only term it a ruinous co-operation in extravagance.

"This latter evil has arisen as follows: First, there has been in the past an almost continuous process of amalgamation of small railway companies into large ones. Those two fathers, in the political sphere, of our railway system, Sir Robert Peel and Mr. Gladstone, always watched that process with vigilance and doubt. So did the House of Commons. I have in mind the reports of the Committees of 1846, of 1853, and of 1872 on that subject. Nevertheless, in the words of the latter report, 'combination and amalgamation have proceeded without check,' and were, on the whole, advisable. Secondly, the great companies, thus organized, agreed, broadly speaking, not to cut rates, so that, in the words of the Committee already cited, 'as a general rule there is no active competition between different railways in the matter of rates and fares, and Parliament, to safeguard the public, has fixed minimum rates with ever-increasing stringency.' But there has been a third stage, and it is to this that I would particularly draw attention. It constituted a reversal of the process thus described. The great companies, having absorbed smaller ones and agreed together on rates, proceeded to invade each other's territory, to snatch traffic that could not pay, to set up rival and adjacent collecting offices, to engage competitive staffs of canvassers, to lavish money on injuring other companies without benefiting themselves or the public, and generally to engage in a species of competition which was as wasteful as it was useless.

"That was the deplorable state of things which we

found in 1902. Instead of co-operating to give all facilities to the public, it was admitted on all hands that the railways were quarrelling among themselves. In August the Chairman of the London and North-Western went so far as publicly to speak of being 'robbed of traffic,' and of being 'robbed right and left.' At the same date the Chairman of the North-Eastern had to confess that, instead of thinking of the public, they were 'quarrelling over a ton of goods,' while a third Chairman admitted that the conduct of the railways was 'ridiculous.' These were our witnesses. Unhappily I am not referring to a past evil only, but to one still existing in spite of all our protests and arguments. For now, after all these years, there was an announcement in the *Times* of March 12, 1906, that there is 'a serious conviction, which is 'steadily growing' in the minds of our railway men, that 'the expensive methods of competition in vogue have reached their limit.' We arrived at this 'serious conviction' several years ago.

Competition in Efficiency

"Our third remedy was directed to this evil, and our views on this point may perhaps be summarized as follows:—

"Competition in canvassing and collecting traffic at great centres may possibly have the advantage of securing facilities for the public, but if greater facilities can be secured more safely and more economically by other means it would benefit all concerned. The drawback of the present system is its enormous expense, and its consequent instability

due to that expense, which makes the rivals often mutually desirous of cancelling the privilege given. If the opposing companies would consent to meet the traders, and combine their resources in order to satisfy all requirements, a more economical and secure arrangement could be arrived at. Besides, all this money lavished at a few great competing centres may too often be spent at the cost of the non-competitive districts served by each railway. The only healthy competition is when the companies rival each other in efficiency and economy. But as in the case of extravagant methods of handling traffic, so in the matter of this unhealthy competition, the real evil can only be disclosed and combated by the aid of a proper system of figures.

The Reforms of Sir George Gibb

"Gentlemen, I have dealt with our proposals; but before I sit down I must refer to another individual of those above referred to. I mean Sir George Gibb, so long the General Manager of the North-Eastern Railway, to whom the cause of railway reform in this country owes so vast a debt. We here in this room own the second largest holding in North-Eastern Consols, and, of course, have followed his career with ever-growing admiration. It was in 1900, that on a visit to America he finally reached the conclusion, forming since 1899 in his mind, that our railway business needed measures of far-reaching reform. And he has carried out that conclusion into practice with the consent and approval of an enlightened Board. Of course, such an administrator knew that figures are essential. You may imagine the feelings with which

the persons who call us 'amateurs,' and denounce us as 'agitators,' and tell us without having used them that average figures are 'valueless,' found the North-Eastern busy with the preparation and publication of that very system of statistics. Sir George Gibb has placed it on record that (*a*) ton-mile figures cost him the modest sum of £800 a year to prepare, a railway official opposed to us having stated it would cost £15,000; also that (*b*) his officials, once having used this whole system of scientific statistics, which, I would specially point out, includes far more than the ton-mile, would not now consent to do without it, so invaluable has it proved.

"But what has he done? Here are some figures. I find that in 1899 the earnings of a North-Eastern freight train were only 80d. per train-mile. But by the adoption of a better system of handling traffic, based on a sound system of statistics, that figure of 80d. has been raised to 123d. for 1905, an improvement of 43d. per train-mile, or no less than 55 per cent. This means that if the goods traffic for the whole year 1905 had been worked on the same lines as it used to be worked in 1899, the North-Eastern would have run in 1905 no less than 6,400,000 more freight train-miles than they actually have had to run. To obtain an economy in train mileage of no less than 6,400,000 miles, or 36 per cent., in six years, is a great achievement.

"But let us look at net earnings. In 1905 the North-Eastern Company secured £99,000 more gross earnings than in 1904. Yet it reduced its actual expenses by £1000. The net gain was thus £100,000, and this it did in spite of the fact that it spent £56,000 more

upon its permanent way and equipment. Surely these facts bear the best testimony to the usefulness of the data that he, alone of the general managers of our railways, has had the wisdom to compile. I stated last February at Euston that if the London and North-Western, which declines to use these more complete figures, had made as much progress in efficiency as the North-Eastern between 1899 and 1905, it would have saved for ourselves, the shareholders, the sum of £386,000 last year.

The Summary of our Action

"Gentlemen, I have completed, however imperfectly, the important task committed to me. I have dealt with some of the heavy taxes imposed upon railway shareholders by faulty methods, and have shown you how the greatest of our organized industries is deprived of its legitimate profits. I believe that great improvements are possible, which, while advancing the interests of the public and of all employees concerned in the working of our railways, will increase dividends and raise values. Therefore let me summarize this great issue, which so intimately concerns the commercial efficiency of England, with which I have now dealt.

"1. In 1900 our railways appeared to be seriously compromised. We felt compelled to inquire into the adequacy of their administration.

"2. That investigation showed to us evidence of most widespread and regrettable waste. In the great departments of handling and collecting traffic we had the clearest proofs of most undue and superfluous expenditure.

"3. We further ascertained that the existing system of statistics, whether published or unpublished, was quite inadequate for the purposes of economy; and that shareholders, and even managers and Boards, were not duly informed as regards vital matters which we enumerated.

"4. We proposed remedies as regards handling of traffic, also as regards co-operation. There was the keenest antagonism. But the first of these remedies is now in process of execution. The second, co-operation, appears to be making some progress.

"5. Yet the fundamental reform of all still remains to be brought home. Without adequate figures, intelligently used, we maintain that no business so vast and complex as a railway can be adequately and economically administered. We point to the North-Eastern as having adopted this better system and as benefiting accordingly. When those figures are furnished by our railways, then and then only will it be possible for shareholders to estimate and for Boards to regulate and maintain the progress of efficiency."

CHAPTER VI

A RAILWAY CHAIRMAN'S INDICTMENT

On 20th December 1907, an extraordinary general meeting of the shareholders in the Great Northern Railway Company was held at King's Cross, to consider proposals for a close working agreement between that Company and the Great Central Railway Company, which would virtually mean the fusion of the two concerns.

The Right Hon. Lord Allerton, Chairman of the Company, presided, and the following are extracts from the long speech he made:—

"I will say that if the results of this arrangement did not justify giving this £100,000 to the Great Central Company, the question never was worth a moment's consideration at all. (Applause.) The advantages which are to be gained, not by you as shareholders only—because, of course, we have to consider, in addition to your interests, the interests of the public, otherwise we should not consider your interests—but the advantages to be gained by better

linking of the trains which carry, not only passengers, but the goods and minerals, the doing away, as opportunity occurs, with all the duplication which now exists, and necessarily exists, between the two separate companies—will be very great. (Hear, hear.) Why, if you go through the streets of London, you will see —say, in Shaftesbury Avenue—the Great Northern Company have opened a receiving office, and you will see, a minute afterwards, that the Great Central have opened a receiving office on the other side of the street. That is only an illustration of what has occurred, and, bear in mind, what will continue to occur, unless this arrangement is come to. (Applause.) Take the case, for instance, of capital expenditure. Why, there is a mine of wealth there. During the past few years there has been, I will say, hundreds of thousands of pounds spent in capital expenditure by the two companies which might have been saved if this agreement had been made so many years ago, such as in reaching collieries and in what is called protecting the traffic by making fresh branches, all to be worked over to the same point for the same traffic. All this necessitates engines and trains where very often one would do. The lines are blocked, your lines are crowded, trains are delayed, which lead to all sorts of waste and extravagance, and if it were only for the purpose of saving the enormous waste which necessarily goes on now, I say it would have been well worth your while to have made this agreement with the Great Central many years ago. (Loud applause.) . . . With the exception of the rolling stock with which it is necessary to work the Lancashire and Derbyshire Railway, all the rolling stock will be placed at the dis-

posal of the joint committee, and therefore you have only to think of the convenience of being the common user, according to the traffic of the particular districts, of the two stocks. The two stocks will be available for all purposes; so that practically one set of duplicates will do, instead of two. . . . If you will look at that map you will see that these two concerns, with the exception of this black line, which represents the London extension, are not only historically but geographically intertwined and interwoven, and you can hardly distinguish at present where one begins and the other has no power. The red is the Great Northern, the black is the Great Central, the red and black respectively are where the one company or the other owns the line and the other company has running powers over it. You can hardly conceive, in districts so important as these, the disadvantages that exist by two unnecessary and separate train services, not always taking the shortest road, not always making connection at a particular junction so that trains may meet, and very often making the arrangements such that they should not meet. I know, as a matter of fact, that this is the case. I complained one day at Doncaster—and hope the Great Central won't be cross with me about this observation—but I was trying to get to a place called Frodingham. You can only get there by going round at Retford, or going by the Great Central by Doncaster, and I said to the stationmaster, I am afraid in a tone which was not pleasant, 'Why on earth don't you agree with the Great Central and make these trains fit?' 'Well, sir,' he said, 'we have altered ours three times in order to make them fit, and every time we have altered them they

have altered theirs.' (Laughter.) This is the way in which the public is inconvenienced. It is a simple illustration, but it is an effective one. I believe honestly—and I look back some distance behind me—that the time has arrived when, in the national welfare, there will have to be a rearrangement of the railway service—ay, and even of the railway companies' service between one another, in the interests of the national welfare. (Applause.) The interests of the nation are bound up inseparably with the railway convenience of this country. (Hear, hear.) Why, you have only got to carry your minds back about three or four weeks to see what a state of turmoil there was because they thought there was going to be some interference with the railway service of this country, that the traders were going to be without the means of conveyance, and you in London were to be without the means of food. I believe that the movement which this agreement indicates is but one step—possibly the first step—in a movement which will grow and go on, and under which the railway facilities of this country will not be restricted, but will be improved, and at the same time, by great economies, a great saving of national waste will be accomplished. (Applause.) In this agreement, let me say this, there is no hidden motive of aggression; there is no thought of striking at the interests of any other railway company. But I will put it higher than that, and say that we believe it is a practical example, which, if others will endeavour to give effect to it in every part of the kingdom, will not only render great service to the trading community, but will give some confidence again in railway stocks and in railway shares."

On the same day as the Great Northern meeting, a meeting of shareholders in the Great Central Company was held, at which the Chairman, Sir Alexander Henderson, M.P., said, *inter alia*—

"To-day, the haulage of traffic from one part to another of the great City was one of the largest items of expenditure; and the ever-increasing congestion of their streets made the problem of economical distribution greater from day to day. A West-End and a central depôt would relieve the situation, as regards merchandize and minerals. And the public would no doubt quickly realize the advantages offered by alternative routes and consequently increased train services. . . . He recognized this fact, however, that on the opening of the Great Central line to London there was a considerable amount of strife and fighting over traffic; but now that had given place to greater recognition of the principle of 'live and let live,' and more or less amicable relations had been established for some little time. Nevertheless, the duty clearly imposed on the managers of both lines was to keep what they had, and the consequent running of partially filled passenger trains and scanty loading of goods trains had undoubtedly been one result of the present kind of administration. As far as the Great Central was concerned, that duplication of services had had the effect of congesting some parts of their lines, particularly the section from Manchester, through Sheffield, to Beighton Junction. There was little doubt that one of two things was inevitable: namely, either the coupling up of unnecessary services, or the duplication

of lines—the latter involving enormous capital expenditure. . . . Beyond that they looked to two sources of increased revenue: namely, first, the development of the Great Northern Central system; and, secondly, to the savings which, they were sure, could be effected by the merging of interests now proposed. The two systems, together, earned a gross revenue approaching £10,000,000 per annum."

Now, it is hardly to be supposed that either Lord Allerton or Sir Alexander Henderson intended his remarks to be taken as an argument in favour of nationalization; but the only conclusion that a level-headed man can make from their speeches is that the present system of separate companies runs counter to the public convenience and is wasteful.

From the *Financial News* report of the Chairman's (Sir Charles Scotter) speech at the meeting of the London and South-Western Railway Company, held on 6th February 1908, I take the following extract:—

"He was sure that by a mutual arrangement between companies a considerable amount of money which was now spent might be saved, to the benefit of not only the company but also of the shareholders."

In the foregoing extracts from their speeches, railway chairmen make the following admissions:—

1. The merging of railway systems under one control is in the interests of both proprietors and public,

because it brings about "better linking of the trains, which carry not only passengers but the goods and minerals."

2. That hundreds of thousands of pounds have been wasted by two companies alone in needless duplication of lines, receiving offices, etc., "which lead to all sorts of waste and extravagance."

3. That under the present cut-throat competitive system, instead of studying the interests of the public, the railway administrations wilfully cause inconvenience to passengers by deliberately altering times of trains so as to make passengers travelling by a rival system lose connections.

4. "That the time has arrived when, in the national welfare, there will have to be a rearrangement of the railway service—ay, and even of the railway companies' service between one another, in the interests of the national welfare."

That the merging of railway systems "is but one step—possibly the first step—in a movement under which the railway facilities of this country will not be restricted, but will be improved, and at the same time, by great economies, a *great saving of national waste will be accomplished.*"

These admissions—and I have given in full the portions of the speeches from which they have been culled, so that it cannot be alleged that they have been coloured in any way—constitute a formidable indictment of—whom? Why, the very men who have

drawn it up! The Railway Chairmen and Boards are precisely the people responsible for this fearful waste. Picture the general meeting of an ordinary business concern at which the Managing Director made a statement like this:—

"The truth is, there has been gross preventable waste on the part of myself and my co-directors; the condition of affairs is lamentable, and although we now come before you with a scheme whereby some of this waste and needless extravagance is going to be stopped, I will not conceal from you that we should have done so many years ago."

Well, this is an imaginary case; but as regards the railways, let me reproduce the following passage in Lord Allerton's speech to the Great Northern shareholders, already given in this chapter:—

"The lines are blocked, your lines are crowded, trains are delayed, which lead to all sorts of waste and extravagance, and if it were only for the purpose of saving the enormous waste which necessarily goes on now, I say it would have been well worth your while to have made this agreement with the Great Central many years ago." (Loud Applause.)

And note the words "Loud Applause." Surely it would be a kindness to give shareholders who can loudly applaud a statement of this sort, Government Stock yielding a fixed rate of interest in exchange for their A Stocks, their B Stocks, their First Preference, their Debenture Loan Stocks, etc.

Before concluding this chapter, I would like to draw attention to one feature of the agreement between the Great Northern and Great Central Companies. By this agreement the two companies would become virtually one concern. One would have thought—particularly after the two Chairmen's admissions as to wasteful expenditure—that in common decency the number of directors would be reduced. In ordinary business life, if two companies combine, it is usual to reduce the dimensions of the joint Board, even if this involves payment of some compensation to the retiring directors. In the case of the two railway companies under consideration, however, the proposals are that the new Board shall consist of 25 Directors, viz., the two old Boards of both companies in their entirety.

If it was desired to deal handsomely with some of the unnecessary directors, it might at least have been arranged that on the decease of some of the old gentlemen their places should not be filled up; but no! the agreement specially states that on any member of the Joint Committee ceasing to be a Director of one of the Companies, the Company by whom he was appointed "shall have power forthwith to nominate another member of their Board to take his place."

It must be borne in mind that the Directors of a railway company are not like the partners in a firm; they have no proprietorial rights other than those possessed as ordinary stockholders, and are nothing more than the company's servants. Why, then, should

they retain their full number in office when such an unwieldy Board is manifestly not required? It is a noteworthy fact that neither Chairman pointed out any saving that might accrue under this head.

It is interesting to note that at the half-yearly meeting of the Midland Railway, which followed the meetings referred to in the preceding pages, the Chairman, Sir E. Paget, termed the proposed agreement between the Great Northern and the Great Central Railways "an unholy alliance." He stated that it would be the greatest blow dealt at the Midland Railway for many years, and they were prepared to oppose it by every means in their power.

Referring to the discussion in Parliament on the State acquisition of the railways, he said—

"We have no objection to such a step being taken, provided the interests of the shareholders are properly safeguarded."

CHAPTER VII

SOME ADVANTAGES OF A STATE RAILWAY SYSTEM

Cheaper Fares

It is notorious that fares and rates on the railways of the United Kingdom are very much higher than on the State-owned railways of the Continent. Only in connection with third-class fares for journeys by express trains between certain important centres do the British fares bear comparison with those on the European railways, and in these cases authorities inform us that the companies are losing money on every passenger, so that sooner or later either less facilities will be given or fares will be raised.

It is quite evident that with the present wasteful administration of our railways the passenger fares and goods rate must be high if they are to yield even a meagre return to the shareholders.

The passenger rates vary in the different countries, but all are considerably less than in the United Kingdom. Thus, the ordinary third-class return fare for 120 miles of travel between Basle and Lucerne and

back is 5s. From Brussels to Antwerp and back, a total journey of 55 miles, the third-class fare is 2s. 4d. On the Danish State railways, the fares from Copenhagen to Helsinor, 28 miles, are 1s. 2½d. third class and 2s. second class. On the Austrian State railways, which have adopted a zone system of charges, one travels 6 miles for 2d., 12 miles for 4d., and 400 miles (the distance between London and Edinburgh) for 16s. 3d., and in Hungary the same journey costs 8s.

In Germany there is a fourth class which carries passengers at the uniform rate of 2 pf. a kilometer, which works out at less than 2d. for 5 miles.

These instances are ordinary fares taken from 1908 tariffs; workmen's excursion and season tickets are issued at lower rates than in this country.

What is probably the cheapest season ticket in the world is that issued by the Belgian State railways, viz., one available for 5 clear days over the whole 2900 miles of railway in the country, for the sum of 9s. 5d. third class and 16s. 5d. second class. For double this amount, similar tickets, available for 15 days, are issued. For £14, 17s. one may have an *annual* third-class ticket available all over the country.

A third-class annual ticket between London and Brighton (51 miles) is not issued, but for £28, plus Government duty, one may obtain a second-class annual ticket between these points. The Belgian second-class ticket for the same period, available over nearly 3000 miles of line, including such small portions as are still

in the hands of private companies, is £25, 19s. And while it must be admitted that Belgian third-class carriages are inferior to most of the British thirds, the second class are superior to the same class in the United Kingdom.

Under the heading of "Uniformity," in this chapter, are considered some more important points relating to passenger fares.

One thing is clear. Whether one looks at foreign countries in which the railways are State-owned, or whether one considers the large sums now wasted that would be saved by the more economical management resulting from the amalgamation of all our railway companies into one system, it is evident that there is room for some considerable readjustment of fares.

Lower Goods Rates

The necessity for cheaper goods rates is much more pressing than for lower passenger fares. Our goods rates are far and away the highest in the world, and bear most hardly upon trade and industry. A remarkable fact, too, is that while the cost of most of the necessaries of life has fallen, there has been a steady rise in railway rates in this country, and it looks like continuing, for as the companies will undoubtedly, sooner or later, be compelled to raise wages, they will do their best to recoup themselves at the cost of the traders.

As is mentioned in the following section of this chapter, it is not an easy matter to get English goods

rates for comparison. Mr. W. Cunningham, in his *Railway Nationalisation*, has stated that the average amount received by the railways of the United Kingdom for the carriage of one ton of goods 100 miles is about 10s., compared with about 5s. 6d. on the German railways. The very first instance I have taken to test the accuracy of this statement is the following:—

At the Agricultural Commission held in 1905, a representative of the London Chamber of Commerce and the Central Chamber of Agriculture gave evidence that the rate on home potatoes from Harwich to London, a distance of 70 miles, for haulage only, was 7s. 6d. per ton. To find the equivalent rate on the German railways for the same distance is the work of a minute, as described later; this I find to be just under 3s. 9d. per ton, or exactly half the English rate.

With a State-owned railway system the railway administrations have to consider the interests of the country as a whole, and not merely their own ends. In Germany, Belgium, etc., special low rates are charged for export traffic, but in the United Kingdom, as has been proved again and again, many of the British railway rates favour the foreign as against the home producer; here are some instances—

	Antwerp to Birmingham (*via* London).	Birmingham to London.
Iron Nails per ton . . .	16s. 8d.	18s. 4d.
Iron Wire ,, . . .	16s. 8d.	28s. 4d.
Silvered Plate ,, . . .	27s. 6d.	60s.

	Brussels to Birmingham (*via* Antwerp and Goole).	Birmingham to Wolverhampton (13 miles).
Plate Glass	22s. 6d.	22s. 6d.

The following extract from the *Times* report of Mr. Chiozza Money's speech in the House of Commons on 11th February 1908 gives some interesting particulars:—

"The cheapest way of getting iron to Staffordshire from the Tyne was to take it to Liverpool at a cost of 8s. per ton to a railway company. From Westphalia to Rotterdam, 156 miles, iron was carried for 6s. 4d. per ton, and from Westphalia to Antwerp for 7s. 6d. per ton. The charge for hardware from Birmingham to Newcastle, 207 miles, was 25s. per ton, but from Dortmund to Rotterdam, 153 miles, the charge was only 10s. per ton. Taking cutlery from Sheffield to Hull cost 20s. per ton, and the German State railways carried the same class of goods for 6s. 7d. per ton. Indeed, there were some articles, like cheap chemicals, whereon the freight was often more than the value. He mentioned the case of a Putney blind-maker who sold a blind worth £9 to a man in Liverpool, and the freight of which was £4. This case was brought into Court, and the blind-maker said, 'If such charges are allowed it would cripple my trade.' The Judge gave the man his sympathy, but on law decided against him. There was a celebrated case about potatoes. A hundred tons of potatoes were shipped from Dundee to New York. When the ship approached New York dock it was found that the duty was so high that it

would not be worth while to land them. The potatoes were brought back from New York to Liverpool at a cost of 23s. 10d. per ton. If the potatoes had been sent direct from Dundee to Liverpool they would have cost 24s. 2d. per ton. In Germany, on the other hand, full responsibility was accepted by the State in regard to consignments lost, delayed, or damaged; and he also pointed out how the German State railways were so managed that bounties were given to enable certain districts to compete with foreign countries, and how the Minister for railways was able to help any part of the country which happened to be in distress by means of special rates. Switzerland also, by means of her State railways, had lower freights and fares and an improved service, and had gained profit and given better wages and better hours to railway servants. Compared with these State systems the position of British railways was uneconomic. He hoped the House would agree that the irresponsible and competitive management of our railways could not go on."

Uniformity of Charges, etc.

It is really of very little purpose trying to compare British with foreign rates, for the following reason: There is no uniformity in the rates on the railways of the United Kingdom. Thus, at the Agricultural Commission already referred to, a witness stated that the rate on hay and straw from Hull to Leeds, a distance of 51 miles, was 7s. 11d. per ton, 1·862d. per ton per mile, whereas from Driffield to Leeds, also 51 miles, the rate on precisely the same produce was

9s. 2d. or 2·152d. per ton per mile. From Selby to Wakefield, a distance of 21 miles, the rate was 5s. 10d., or 3·333d. per ton per mile.

From the report of the same Commission I quote the following:—

"The Chairman (Lord Jersey): Would you be favourable to have the ordinary traders' rates put on boards at stations, so that the farmers could see them?

"Mr. L. E. Hennel (Assistant Goods Manager of the Great Western Railway): No, that would involve a multiplication of the hundreds of millions of rates already in operation on the British railways.

"The Chairman: Does it not seem like preference that the rate from Patchway to Chepstow should be 6s. 5d., and the rate from Bristol to Chepstow should be 3s. 6d. for the carriage of the same thing a longer distance?

"Mr. Hennell: Yes, but there is little or no traffic from Patchway, or we would alter the rate.

"The Chairman: If one has to examine these two rates he could not help coming to the conclusion that a preference was given to Bristol?

"Mr. Hennell: Yes, but that cannot be helped; you must have class rates. We have thousands of different articles to send all over the line, and you have millions of class rates. If you further multiply these millions of rates we will not know where we are.

"The Chairman: On what terms could a single farmer put three tons of hay on a truck to Birmingham?

"Mr. Hennell: You will understand that I cannot

answer that, as I have not read all the 30,000,000 rates my Company have got."

It is impossible in this country to work out a railway rate in an office or shop; you have to write to the Company to quote each separate rate. How is it done in countries with unified State systems?

This question is answered in a few words by the following extract from my *Guide to Business Customs and Practice on the Continent*:—

"We have before us two little books issued by the German Government at a total cost of 6d., from which it is possible in two minutes to classify and calculate the freight payable on any consignment of goods to any part of the Empire; and for six shillings we have purchased in a Bremen shop a book giving the railway rates from that town to all parts of Germany and many foreign places."

When Bismarck recommended the purchase of the German railways by the State, he laid down the following as being the requirements of a railway tariff:—

"(1) that it should be clear, and so drawn up that anyone could calculate freights; (2) that all inhabitants in all parts of the country should be secured equality of railway charges; (3) that the disadvantages which weigh down small producers should be eliminated; (4) that unnecessary, and therefore wasteful, services should be abolished."

The business community will be surprised at the simplification that will be brought about by the nationalization of the railways, which will be felt in small as well as more important matters. In the large towns it will no longer be necessary to display three or four boards or cards asking the carmen of the different companies to call. One single consignment note will take the place of all the different forms, and with the adoption of a uniform tariff for the whole country it will be as easy a matter to calculate the freight as it now is to work out the cost of a parcel despatched by post. Instead of different sets of regulations, there will be only one *Railway Guide*, just as there is one *Post Office Guide*, for the whole country; instead of each company having its own official time-table, rules, and regulations, differing from those of other companies, there will be one official time-table for the whole country, although it will, of course, be obtainable in sections.

There will be uniformity in the station arrangements, and perhaps it will be made a rule, as in Germany, that the time-sheets shall be displayed in *every* booking-office, so that unhappy passengers are not compelled to wander about the station and up and down the platforms in search of this necessary information.

What this uniformity means is well illustrated by the Belgian time-table, which gives all particulars one can desire for the whole country.

In the margin of each time-table is shown the distance

between the different places, and on two pages at the back of the book is a table of fares—not between certain points, but for any distance. Thus in looking up the time of the trains between Brussels and Liège, you find, from the margin, that the distance is exactly 100 kilometers; on turning up the table of fares, you at once see that for any single journey of 100 km. on the Belgian State Railways (no matter from what point it is commenced) the fare is 6·40 frs. second class, and 3·80 frs. third class, or for a return journey 10·30 frs. and 6·05 frs. respectively. Only for the few private railway companies, the fares (which are almost invariably a little dearer) have to be shown separately.

It is the same with season tickets. Periodical tickets are issued between *any* two stations in the country (and not between certain fixed stations as in the United Kingdom), and there is a table of fixed fares for such distances.

A second-class season ticket from Victoria or London Bridge to Sutton, Surrey, a distance of 14½ miles, on the London, Brighton and South Coast Railway, costs £10, 10s. per annum, plus 10s. 6d. Government duty. A second-class season ticket from King's Cross to Enfield (Great Northern Railway), a distance of 9¼ miles, costs just £10, 10s., and if taken from the City—Moorgate Street—making a total journey of 11 miles, it costs £12, 15s.

From the mere accident of living in a district served by the Great Northern Railway, a resident of Enfield

has to pay as much for a daily journey of 19 miles as another individual, who happens to reside in a district on the Brighton Company's system, pays for a daily journey of 29 miles.

With the uniformity that a State system would bring about, not only would these rates be graduated according to distance, but on turning up the time-table it would be possible to see at once the rates from any one town or any other town to any other place. And there would be this important difference. If I wish to take a season ticket between Croydon and, say, Acton, it would be impossible, because the two stations are on entirely different systems. With one national system, as in Belgium, a season ticket could be obtained and the cost worked out in two minutes.

A most important advantage of nationalization is that a traveller is not told that his ticket is "not available on this line." When all the lines belong to the State, it is a matter of indifference to the Administration whether a passenger goes by one route or another.

The Post Office and the Railways

In countries where the State owns the railways, the two great allied services work hand in hand. Thus, in Germany and other countries, there is a post office in every station of the first importance, and the mails and Post Office servants are carried free. There is frequently a subway between the Post Office and the station.

To show how this works out to the public convenience in little things, I may mention that on many of the German stations there are automatic machines for the sale of postage stamps; in the United Kingdom it would be a question of how much the Post Office would pay the companies.

The British Post Office paid the railway companies in 1906 for carrying the mails, the sum of £1,207,855. In Belgium, Germany, Italy, etc.—and even France, where most of the railways are *worked* by companies—the mails and postal servants are carried free.

One of the results of the close connection between post and rail is the cheapness and great use of the parcel post in Germany, where a parcel not exceeding 11 lb. is carried from any one point to another in the Empire (or to Austria-Hungary, which, for postal purposes, forms one territory with Germany) for 3d. The limits of weight, etc., are not low as with us, to prevent the railway companies from losing traffic, it being possible in Germany, and most countries working their own railways, to send by parcel post packages weighing up to 1 cwt. You may send a bicycle by parcel post in Germany.

Better Railway Stations

The German who comes to this country for the first time is aghast at the squalor of our railway stations. This is particularly the case with the termini in London and the big provincial cities.

We have nothing in this country that will compare even remotely with the palatial stations of Frankfort-on-Maine, Dresden, Bremen, Hamburg, or Antwerp.

Even the new Victoria Station in London, vast improvement as it is on most of the other London termini, is inferior to all those named, is lighted by gas instead of electricity, and possesses a General Waiting-Room that would not be worthy of a wayside junction.

With nationalization of the railways, a vast amount of rebuilding would have to take place, which, as it would make for greater efficiency and economy in working, would be money well spent, and would, incidentally, stimulate the building trade of the country, besides doing much to raise architecture from the low level to which it has fallen with us.

CHAPTER VIII

THE CASE AGAINST NATIONALIZATION CONSIDERED

PROBABLY the leading opponent in this country of the nationalization and municipalization of anything out of which a profit may be made, is the Right Honourable Lord Avebury, P.C. In his book on *Municipal and National Trading*, which bears date 1907, Lord Avebury gives us a chapter on railways in which he compares Company management *v.* State management. In this he endeavours to prove that British railways are in every respect superior to Continental railways, and that such superiority is due to the fact that the former are worked by companies and the latter by the State. To prove this to his own satisfaction he does some bold things.

In the first place, he speaks of "Continental railways" as though they were all the same, and under one administration, oblivious of the fact that there is more difference between the railways of, say, Portugal and Germany, than between those of England and France; and he carefully refrains from pointing out that what

are probably the worst railway systems in the whole world, viz., those of Spain and Portugal, are run entirely by private companies.

In dealing with the respective speeds of express trains in this country and on the Continent, Lord Avebury, in this book written in 1906, takes his particulars from a work written seventeen years previously, and he is at some pains to show that on the French railways most of the express trains are very slow. Now, while the State in France already works a railway system of its own, it is, up to the present, small (1740 miles out of a total mileage of 25,000), and is further handicapped by the fact that it is made up mostly of a number of branch lines. The trains, the speed of which is, according to Lord Avebury, so unsatisfactory, are actually run by companies, and to make the State responsible for the shortcomings of railway companies in this direction, because it has some control over the companies, would be as unreasonable as to blame the British Government for the mal-administration of the railways of the United Kingdom, because, forsooth, it also has some control over them. Not only this, but in comparing speeds, Lord Avebury carefully eliminates the crack trains of the Continent (for which he does not give the figures) because they are run by the International Sleeping Car Company Limited, or by "private enterprise" as he puts it. Surely this is not "playing the game"; the International Sleeping Car Company does, it is true, provide

certain *trains de luxe*, composed of rolling stock superior to anything that is to be seen in the United Kingdom, but the company provides neither the metals nor the locomotives, and it no more "runs" the trains in a traffic sense than does the National Sunday League work its own special excursions. Most of these *trains de luxe* traverse several countries, *e.g.* the Orient Express, which runs from Paris to Constantinople, *via* Munich, Vienna, Budapest, and Bucharest, and if the United Kingdom formed part of the mainland, there is little doubt that these superb trains would also be seen in our country.

For Lord Avebury to shut out from his comparison the fastest trains on the Continent, may be convenient, but is not quite fair; and it might be urged that if the State administrations of the Continent permit a company to run trains like this, it shows that the nationalization of the railways does not necessarily shut out private enterprise.

Another disadvantage arising out of State railways, which is pointed out by Lord Avebury, is that when, as "in 1888, the landowners and farmers of East Prussia petitioned the Government to reduce the rates on agricultural produce, and especially on grain, which had remained the same since 1877 . . . it was strenuously opposed by the agricultural interests, on the ground that it would lower prices and thus affect their profits," and the Prussian Government, therefore, did not reduce these rates.

The picture of the State administration refusing to lower a rate *because farmers protested against their doing so* is quite pathetic, when one compares it with the celerity and readiness (!) with which our railways accede to any requests for a reduction of rates that reach them from the agricultural and trading community. It is noteworthy, too, that Lord Avebury has to go back nineteen years to instance a grievance.

State-owned railways do not favour the foreign producer to the detriment of the home producer—see pages 87–89.

Lord Avebury wisely does not say very much about goods rates, but he sums up as follows:—

"No one, indeed, who looks dispassionately into the evidence, can doubt that the State management of the railways has been a great misfortune for the Continent."

A striking commentary on this is the following Reuter's message from Paris in October 1907:—

CHAMBERS OF COMMERCE

THE CONGRESS IN PARIS

"The Congress of Federated Chambers of Commerce adopted resolutions demanding liberty of labour, the withdrawal of the Income Tax Bill, and the suppression of the privilege of private distilling. A resolution approving the State purchase of railways was also passed."—*Reuter.*

In the same chapter, Lord Avebury writes—

"As regards our Colonies, the paralysing effect of State ownership is brought out by the fact that in the last ten years the number of miles of railway construction has only been—in Victoria 400, in New Zealand 300, and in South Australia 28."

Perhaps the best reply for this is the following Reuter's message from Wellington (New Zealand), which appeared in the press in November 1907:—

NEW ZEALAND PUBLIC WORKS

"WELLINGTON (NEW ZEALAND)

"The Minister of Public Works delivered his statement in Parliament yesterday. It shows that *during the year* 130 miles of railways have been constructed. The proposed expenditure in public works during the current financial year totals £2,216,000. Of this amount £1,000,000 is to be derived from new loans raised during the year, the balance, including £800,000, from ordinary revenue in hand. During the current year £1,125,000 is to be expended on railways, £554,000 on roads, £252,000 on buildings, £105,000 on telegraphs, and £80,000 for minor items. Only twenty miles of the North Island Main Trunk Railway remain to be completed, and by March this will have been reduced to eleven. This year £330,000 is to be spent on the line. The opening will take place before December 1908. Sir Joseph Ward, the Premier, speaking in Parliament, said that the Manawatu Railway, ninety miles long and of the approximate value of

£1,000,000, would be acquired by arbitration. All the railways in the country will then be State-owned."

Lord Avebury, it may be mentioned, is on the Board of the East London Railway Company, which owns some five miles, 54½ chains, of railway. It runs no trains itself, it has never paid any interest on its ordinary stock and its third and fourth charge debenture stock; £100 worth of its ordinary stock can be purchased on the market for anything under a five pound note, and its total revenue from all sources during 1906 was £50,279. Although, as stated, the company owns less than six miles of line, and itself runs no trains, it takes four Directors, a Secretary, and an Auditor to manage its affairs. Lord Avebury's co-directors are Lord Claude J. Hamilton, Mr. William Millwood, and Colonel Algernon George Arnold Durand, C.B., C.I.E., and, according to the Company's published accounts, these gentlemen, together with the auditor, take £802, 10s. per annum, the total amount paid in other salaries by the Company being less than £700 per annum; while for rates and taxes, of which we hear so much, the Company expends less than £130 per annum. I do not know if Lord Avebury and his co-directors have ever been on the East London Railway, but I think that, even under State ownership, the stations could not be dirtier, and the stockholders do not appear to be in an enviable position; in any case, if the State worked

this line, there would be an immediate saving of quite £1000 per annum in directors' fees and secretary's salary, which in this case actually amount to 2 per cent. of the gross revenue.

The principal objections that can be urged against the State-ownership and working of railways are that the management will be inefficient and bound up with red tape; and that it will give rise to political corruption, partly because there will be many more posts at the disposal of the Government, and partly because the number of men (and voters) employed by the Government will be enormously augmented. In support of the first argument the Post Office is often cited; but is the Post Office really so badly managed? and are the complaints against its administration as rife as those against the railways?

To talk about corruption in the case of the Government as compared with that of the railway companies shows lack of a sense of humour; we *do* know the salaries paid to the high officials of the Post Office, but can only guess to within a few thousand pounds of those of the higher officials on the railways, many of whom owe their posts to nepotism. Moreover, as has been stated in a previous chapter, some of the officials of the Railway Companies earning £700 per annum or more, are in the habit of taking pupils at premiums of one hundred guineas and more—a state of affairs which would not be allowed under the Government.

Should there be any abuse in any department

of the Government service, it may be ventilated in Parliament; is this the case with the Railway Companies?

Some opponents of railway nationalization urge that if the Government acquired the railways there would be more likelihood of a general strike on the part of the men for better conditions of employment. As the railways of the United Kingdom have reason to know, however, an agitation of this sort can arise even when the railways are under private control. Moreover, it does not seem to strike these people that an agitation of this sort reposes on the fact that the men are not working under proper conditions and for adequate remuneration, and if it is a fact that State administration of the railways would bring this consummation nearer, it is only an additional reason for the immediate nationalization of the railways. The fact that by the acquisition of the railways some 600,000 voters, more or less, would become Government employees, does not appal me. They are distributed throughout the country, and in those few centres where they preponderate, already exercise considerable power in a voting sense, electing their own representatives.

To anyone who has had many dealings with the railway companies, the idea that there could possibly be more red tape under Government administration will be a humorous one.

Another argument is that with State-controlled railways pressure would be brought to bear on Parlia-

ment to favour one locality by lowering the goods rates at the expense of others. This argument carries with it the admission that the companies at present have that power (an indisputable fact, as is shown on page 90), and nationalizers say that such power is much too important a thing to be left in the hands of any private concerns.

If Parliament cannot be trusted to withstand "lobbying" of this nature, the Australian plan of appointing eminent men as Railway Commissioners with the fullest powers, their removal being possible only by the Upper and Lower Chambers, may be followed, although, as will be seen farther on, this system, tried in New Zealand, was found unnecessary.

The most striking testimony in favour of nationalization of the railways is that nearly every civilized country has adopted and is extending the principle of State ownership. In a semi-despotic country like Germany, anyone proposing that the railways should be worked by companies would be regarded as a lunatic; in the most democratic country of the world, viz., the Swiss Republic, the people by referendum decided to nationalize the railways; in Italy, where the State controlled most of the lines, but leased them to companies, the Government a few years ago bought out the companies and now runs the railways itself; in France the commercial community wishes the State to take over the railways, and the Government is introducing measures whereby it proposes to work at once

one of the trunk systems instead of waiting for the concession to lapse; in all the important British Colonies, with the exception of Canada, the State runs the railways; and when in Queensland an attempt was made, some years ago, to give a railway concession to a company, the inhabitants were so indignant that the Government was compelled to resign.

We see, therefore, that the system of State ownership obtains all over the world—in new and sparsely populated countries; in white Australia and in yellow Japan; in industrial Belgium and in agricultural Russia. Furthermore, that those countries which have adopted it do not dream of reverting to private control; and that those countries where the bulk of the railways are not already in the hands of the State are gradually buying out the remaining railways. In fact, it is much easier to name those important countries in which the State has no share in the railways than those which have. The civilized countries which do not own any of their own railways are, the United States, Canada, Spain, Portugal, and the United Kingdom. It will not be many years before this list is further reduced.

Before the Irish Railways Commission in 1907, Sir Joseph Ward, Premier of New Zealand, made the following statement:—

"Our policy has been to develop the natural resources of the country upon the basis of charging moderate rates, and no differentiation of rates to any

one class of people. The smallest man in the country is able to obtain the same rate for the carriage of his produce as the largest user of the railways. Our rates are fixed on the basis of a return of about 3½ per cent. With all our earnings over 3½ per cent. we have been in the habit of making concessions by way of reductions both upon the carriage of farm produce, wool, grain, meat, and timber, and passengers, in order to carry out the policy of utilizing the railways for the purpose of developing the country. We have returned by way of reductions several hundreds of thousands of pounds during the last few years. They had no complaints in the ordinary way about the rates for agricultural produce. The passenger mileage rates were uniform in New Zealand. The same rate applied on all sections of the railways. They did not have fluctuating rates for holiday excursions. There was a return fare at a single rate over all their railways.

"*We carry the children free of charge* to and from the nearest school. The majority of our schools are owned by the Education Department, which is a State institution. If we had not adopted that policy we should have had to build the schools closer together than they are now, although we have a great number of schools throughout the country. In the case of certain denominations who have not got their schools within easy distance, we carry the children free to schools of the denomination to which they belong. That has been our policy for many years, and it has worked admirably.

"Although the population of the islands was small, the people were spread over the whole country. He was quite sure that the railway policy of the Govern-

ment had played an important part in that development. They believed in New Zealand that no one could afford to take as little out of the railways as the State found it necessary to take. As a matter of fact, they preferred to allow the consolidated earnings and the revenue of the country to make up the deficit, and keep low rates for the benefit of the producers and the travelling public, rather than keep up high rates and retard the development of the country.

"In his opinion, and he thought in the opinion of others also, nothing had done more to make New Zealand prosperous than an efficient system of railways, affording comparatively cheap rates to the people of the country. The State railways in New Zealand were controlled by a Minister responsible to Parliament, and through Parliament to the people. For a few years they had Railway Commissioners, but it was found that the Commissioners were indisposed to reduce rates for the purpose of developing the industries of the country to the same extent as the Government were prepared to reduce them. For that and other reasons that system of management became unpopular, and it was superseded by Ministerial control. General managers for all the different branches were appointed by the Minister for Railways. They were permanent appointments."

Another common objection that is urged against the nationalization of the railways is that the lack of competition would kill enterprise.

Perusal of the present work will, however, have shown that there is now in this country very little

real competition among the railways; and the fact that in those countries in which the railways are worked by the State, the fares and rates are cheaper all round, and that facilities of all sorts to which we are strangers exist there, goes far to remove any fears of this sort.

A glance at the station arrangements in Germany is an eye-opener to most observant Britishers, and many of the reforms and innovations that are introduced on our railways have been in operation for years on some of the State systems of the Continent. The general sale of tickets from automatic machines, the printing of time-tables showing from which platform each train starts, the use of motor carriages, are just three of the things which at once occur to me as having been in operation on the German railways years before they were introduced in the United Kingdom. One important reason for this, of course, is that the State administration, not wasting millions on unnecessary competition, has the funds with which to provide innovations, and to work out new ideas making for the comfort and convenience of the users of the railway —that is to say, the nation. Thus the Prussian State Railways have their own experimental line, several miles in length, on which they are always trying new inventions, and on which, in conjunction with private electrical firms, they have run trains at the highest speed attained by any living thing.

In Berlin there is a splendid national railway

museum housed in—what? A large railway station, which, as soon as the railways were nationalized, was superfluous.

There is a sort of enterprise which consists in making profits in a manner positively injurious or vexatious to the public; in no country where the railways are worked by the State does one see stations so disgracefully crowded with advertisements that it is a matter of the greatest difficulty for a stranger to decipher its name. On the other hand, one sees on every Prussian railway station a drinking fountain—an idea which would not commend itself to the British railway managements, because it would entail outlay without any return except the increased comfort of some of the passengers — particularly those of the poorer classes.

Some of the free guides or lists of holiday apartments issued by the British railway companies are capital publications; should there be any reader who thinks that, with a national system of railways, such things would not be carried out, let him write to the Commercial Representative of the Belgian State Railways, 47 Cannon Street, London, E.C., for a copy of the splendidly printed and illustrated brochure in English (an extract from which appears on page 45), describing and illustrating Belgian life and scenes, and giving the fullest particulars of the State railways and steamers. This booklet is supplied gratuitously.

Or, let such sceptic write, enclosing, say, 2d. for

postage, to the Head Administration of the Prussian State Railways (*Königliche Eisenbahn - Direktion, Altona, Germany*), asking to be supplied with a set of the *Official Guides of the German Railways*, in English, when he will receive a series of guides to the whole of the German Empire, printed on the finest glazed paper and bound up in splendid coloured covers. There are one or more beautiful illustrations on every page, and the booklets contain maps and a mass of the most interesting and useful information, and are issued gratis in German, French, or English.

Sight must not be lost of the fact that in purchasing the railways, the State would incidentally be acquiring many properties other than railroads. The North Eastern Railway is said to possess property in Hull of the value of 7 millions sterling, as well as three miles of docks. Then there are steamers, hotels, motor omnibuses, etc.

Could State officials manage all these? We see no reason to doubt it. The present staffs could be retained, and would surely not lose their ability by a mere change of employer. Besides, the State *does* manage all these things in other countries. The Belgian Government owns and works the Dover-Ostend steamers, which are the fastest paddle steamers in the world; and it runs hotels.

"If the State acquires and works all these things, it would be Socialism," cries the bewildered railway director, dimly conscious of his approaching extinction.

The reply is, that whether it is Socialism or not, it has been, and is being done by nearly every civilized community; and that the expediency of a measure should be judged on its merits and not by appealing to prejudices quite foreign to the question.

CHAPTER IX

HOW TO NATIONALIZE THE RAILWAYS

THE terms on which the railway companies should be bought out are laid down by law.

Few people seem to be aware that the Government has the right to purchase the railways by giving three months' notice of their intention to do so.

In 1844, Sir Robert Peel's Government passed an Act (7 & 8 Vict. c. 85) to this effect, the terms of which are, as stated by the Royal Commission of Railways of 1867, that the State can acquire the railways "for a sum equal to twenty-five years' purchase on the average divisible profits for three years before such purchase."

One of the clauses of this Act provides that—

"If the average rate of profits for the said three years shall be less than the rate of ten pounds in the hundred, it shall be lawful for the Company, if they shall be of opinion that the said rate of twenty-five years' purchase of the said average profits is an inadequate rate of purchase of such railway, reference being had to the prospects thereof, to require that it shall be left to arbitration in case of difference, to determine what, if

any, additional amount of purchase money shall be paid to the said company."

At the time Mr. Gladstone introduced this measure, 10 per cent. was not at all an uncommon dividend for a railway company, and the idea underlying this clause was that if a company was not actually distributing 10 per cent., and, in consequence of heavy expenditure on productive works, had reason to believe that its yield would shortly be considerably increased, recourse might be had to arbitration.

In view of the steady fall in the rate of dividend, and the certainty of increased expenditure on wages, etc., the companies have more to lose than to gain by account being taken of their prospective profits.

The 1844 Act is not applicable to railways built prior to that date, but as this concerns only 2300 out of 23,000 miles of railway open at the end of 1906, the acquisition of these 2300 miles should not cause much difficulty. If it should do so, it could be left in the companies' hands, and it would not be long before the proprietors themselves, not relishing the results of competition with a State-owned system, would ask to be bought out on equitable terms.

It will be seen, therefore, that the Government has the power to acquire nearly all the railways of the country at twenty-five years' purchase, calculated on the average profits of the last three years. Let us see how this would work out.

The net working profits of the railways of the United Kingdom for the three years 1904–1906 are given by a Blue Book as follows:—

1904	£42,660,741
1905	43,466,356
1906	44,446,077

or an average of 43½ millions sterling, which, at twenty-five years' purchase, equals £1,087,000,000.

As already stated, the total paid-up capital of the railways of the United Kingdom is £1,286,883,341, of which, however, the Board of Trade Blue Book returns over 195 millions as "watered" stock. Deducting this watered stock, we arrive at the remarkable fact that the purchase price, as calculated in the terms of the Act, corresponds almost exactly to the present amount of paid-up capital. Let us assume that the whole of the railways were nationalized on this basis. To pay 3 per cent. per annum on 1087 millions the State would require to earn about 32½ millions. Last year, under company management, the railways produced a profit of 44½ millions. If, therefore, the State were to work the railways exactly as they are worked at the present, retaining all the 250 boards of directors, and without effecting a single economy, it would still have 12 millions in hand with which to grant better conditions of service and to give reductions of rates. If the anticipation of the advocates of nationalization should not be realized in their entirety, there is no

doubt that considerable savings would be effected under one central management, and at least a few millions per annum could be reckoned upon under this head.

In other words, the credit of the State being naturally superior to that of the different companies, holders of Government railway stock would be content with a lower rate of interest, and the State, without eliminating a single item of waste in working, would, even if it borrowed at 3½ per cent., have a margin of some millions per annum in hand. As a matter of fact, a former manager of one of the British railways estimated the saving in working expenses that would result from unity of management at about 20 per cent. As has already been mentioned, the expenditure of the companies for 1906 amounted to 72¾ millions, so that a further saving of 14½ millions per annum might be looked for, part of which might be used to form a sinking fund for the redemption of capital. Difficulties might arise in apportioning the different sums to the various companies, but if done on the lines laid down in the Act, basing such amounts solely on the average net profits, the vexed question of how to deal with the watered capital would be avoided. Most ordinary railway stocks being capitalized on a 4 per cent. basis, the market price need not trouble us much, for if some stocks are at a considerable premium, others are at as great a discount. From a broker's list I find that at the end of 1907, Caledonian, Great Central, Chatham,

District and South-Eastern Ordinary Stocks of the nominal value of £31,500,000 were valued by the market at £4,500,000.

Some people, not familiar with matters of finance, ask, "Where is so enormous a sum as would be required to purchase the railways, coming from?"

Such people should understand that no money at all need necessarily be raised for the purpose, the process being simply one of a debt conversion. On a certain date holders of railway stock will be invited to send in their certificates to be exchanged for Government Railway Stock certificates.

The only argument that can be adduced against such a conversion is that those holders who are not satisfied with receiving Government Stock yielding a lower rate of interest, in exchange for their railway stocks, might sell their stock when received, and thus unduly depress the price of Government Stocks. There are, however, several reasons why this should not occur, or why, if it did, the effect would not be great.

In the first place, experience goes to show that the majority of holders do keep the Government Stock which they receive in such cases; furthermore, if there were any people so dissatisfied with the terms of purchase that they did not intend keeping their money in the Government Stocks, they would not be likely to wait for the conversion to take place, but would at once realize their railway stocks on the terms being made known, and if there *were* any great fall in prices, the

Government might, with advantage, buy railway stock in the open market.

It must be remembered that what is here proposed is no startling innovation; other countries have had the same problem to face and have satisfactorily performed it. Moreover, if some of the companies prove exceptionally recalcitrant (and railway directors and their friends are numerous and influential), or any financial difficulties should present themselves, one company's system can be purchased at a time.

In conclusion, we would say to the many persons who, although themselves convinced of the desirability and expediency of nationalizing the railways, cannot bring themselves to believe that any such scheme could ever be carried out in a country where railway directors and their friends are powerfully represented in Parliament, and Ministers of the Crown are ex-railway chairmen and directors, that, from the point of view of the railway companies, things are getting worse and worse, and show no real signs of improvement. Tramway and other competition is not likely to decrease, and wages will undoubtedly have to be raised, whilst the public will rightly not stand any considerable rise in passenger fares and goods rates. In fact, the real condition of the railway companies is such that under the 1844 Act referred to they would be paid very much above the true value of their undertakings; and that with each year this becomes more pronounced. The time is rapidly approaching

when the railway directors will themselves try to bring about State purchase, and they will undoubtedly try to secure the best possible terms for themselves.

Mr. Chas. Duguid, the astute financial editor of the *Observer*, hit the right nail on the head when, writing in February 1908 on the desirability of co-operation, he added—

"So long as steps are taken to secure that the stockholders shall reap the full benefit of profits now being frittered away in wasteful competition, good authorities do not think that the prospect of nationalization need worry the stockholders. Indeed, if the terms of the Act of 1844 were applied to any of our leading railways to-day, the outcome would be something considerably in excess of present market values for the ordinary stocks, even without any extra allowance for prospects. How much of the 75 millions a year of our railway expenditure at present incurred is capable of being saved merely by suspending reckless competition it is impossible to say, but probably 4 millions a year is a modest estimate. Capitalized on a 4 per cent. basis, that saving would represent 100 millions added to the present value of railway property, and as it would practically belong to the holders of the 400 millions of ordinary capital it is distinctly worth striving for."

As showing the increasing readiness of capitalists to consider State purchase, I would draw special attention to the remarks of Sir Edgar Speyer, head of the great financial house of that name, and Chairman of the

Underground Electric Railways of London, who, in opening the Charing Cross and Hampstead Railway on 22nd June 1907, said (I quote from the *Times* report)—

"Referring to the possibility of co-operation between municipal and private enterprise, he cited the case of the Water Board and the water companies, and suggested that it might be to the benefit of the municipality to acquire an interest in the tubes at the present time instead of waiting, as happened in the case of the water companies, and incurring a delay which was very expensive to the purchasers in the end. There were obvious advantages in putting the tramways and tubes in London under one authority, and he indicated that his Company would be prepared on certain terms to grant the municipality the right to purchase the tubes at some future date."

The London tube and other underground railways of purely local interest might with advantage be purchased and worked as one complete system by the London County Council or a special London Traffic Board. It would then be possible to institute a cheap fare from any one station to any other on the system, the passenger changing where he likes, as is the case on the Paris Métropolitain, which, by the way, was constructed for, and belongs to, the Paris municipality, which receives a considerable proportion of the takings of the Company working it.

To sum up this question of the terms of purchase: if

effected on the terms set forth in the 1844 Act, passed at a time when the railway companies were earning a much higher rate of profit, the nation would be paying more than the railways are worth, and more than would build new lines.

It would be well for any recalcitrants to bear in mind not only this fact, but also that such concession or monopoly as a Company holds has been granted by Parliament, which has the free right of granting similar concessions to any new Company (witness the Great Central new line to London, so bitterly opposed by other companies), or of constructing new trunk lines at the cost of the nation, if it thinks fit.

Still, the benefits to be derived from the consolidation that would at once result from nationalization are so great that the country could afford to pay the price provided by the 1844 Act, and then run the services at a profit.

Both the number and salaries of many of the higher officials would be reduced, and it would be necessary at once to raise the wages of the lower grades to a level above the poverty line, but in the main the present staffs would be retained, and with large numbers of men set free by the cessation of unnecessary competition, hours of labour could at once be reduced without any additional charge, whilst working expenses —apart from labour—would at once drop considerably.

If there were one man of genius among the railway potentates, he would make an attempt at forming a

huge railway trust, and thus effect vast economies for the benefit of himself and his stockholders; but, fortunately for the nation, we see no sign of such a man among those in control of the railways.

The railways of the country should have been nationalized years ago, and every year that passes without this being done is so much time lost.

The following extract from an article by Professor Gustav Cohn, in the *Economic Journal* of January 1908, shows the results of railway nationalization (which was bitterly opposed at the time) in Prussia:—

"These railways were acquired by the Prussian Government in 1880 by an arrangement which was absolutely voluntary on both sides, and at a price which was not only agreed with the market price, but even left the shareholders a considerable margin of profit.

"Since the year 1882 the revenue earned by the Prussian State railways has not only sufficed to pay the interest on the capital and wipe out the debt, but, over and above this, has yielded a surplus which has remained at the disposal of the Government for other national expenses. The figure of this annual surplus has steadily increased from £1,000,000 in the years 1882–1887 to £23,000,000 in 1905, and in the Budget of 1907 it is estimated at £30,000,000 (591,000,000 marks). This amounts to very little less than three times the yield of the Prussian income-tax, or more than double the income and property taxes taken together (£13,000,000). Yet these two are still the cardinal points of the Prussian fiscal system, and so

long as the railway surplus played no very important part, *i.e.* until 1887, financiers were completely dependent on their productivity. The situation has been changed since 1890, when the railways began to contribute sums of from four to five millions to the national exchequer. Since then the figures have rapidly increased (in 1897 the surplus was 10 millions), so that the grand total for the years 1882–1907 amounts to about £260,000,000."

I cannot resist one more extract on this point. This time it is from the leader in the *Sunday Times* of 23rd February 1908, a paper the bitterest enemy of which could not accuse of being "socialistic":—

"Under these circumstances it is of interest to see how Prussia, the cradle of nationalization, has fared by its policy. If we summarize the Budget of that kingdom, we find that its administration costs 687 million marks, of which 359 millions are covered by taxes. There is thus a shortage of 328 millions, balanced by the surplus from the working of State properties. Forests and Domains supply 68 millions, Mines 18 millions, Lotteries 9 millions, the State Bank 4½ millions, and the Mint ½ million, while no less than 228 millions come from the railways, the latter after providing 293 millions for interest on debt created for purchasing the property. In other words, one-third of the State's expenditure is provided by the surplus profits of the railways, whose total receipts amounted to 2052½ million marks. The financial position of Prussia has of late been subjected to criticism, but, as

a matter of fact, it remains sound, thanks mainly to the revenue derived from Bismarck's acquisitions. Indeed, if we capitalize the 'goodwill' of Prussia's industrial surplus of 328 millions on a 4 per cent. basis, we arrive at a capital of 8250 million marks. Deducting therefrom the net Government debt, not represented by assets, viz. 500 millions, there remains an asset of 7750 millions, or £387,500,000 as national wealth. Not an unfavourable balance, and mainly due to the timely nationalization of the railways. No doubt the railway problem presents itself in different forms in the various countries. But a study of the results of State Railway administration in its classic home is not without teaching some useful lessons."

In conclusion, I would say that while the national exchequer will benefit largely through the economies resulting from a centralized management, this is only one of a number of advantages that will accrue to the nation from State ownership of the railways. It would be a great mistake to measure the advantages of State ownership solely from the point of view of the yield per cent. on the sum invested. Under an equitable, reasonable, and uniform system of rates, trade would be stimulated to an extraordinary degree, and regard would be paid to the social needs of the nation, as is done in Belgium, Germany, and other countries, so that masses of even the humbler town workers would live in the country, and the depopulation of the countryside, with all its attendant evils, would be checked. Rates would be lowered, the general services improved, the

condition of the railway workers ameliorated, and the public benefited.'

Readers interested in this subject are informed that a Railway Nationalization Society has been formed, the address of which is 5 Duke Street, Adelphi, London, W.C.

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